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CANADA

ROYAL COMMISSION ON
THE AUTOMOTIVE INDUSTRY 1960

HEARINGS

HELD AT
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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

I N D E X

SUBMISSION OF:

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TORONTO, ONTARIO

ROYAL COMMISSION ON THE AUTOMOTIVE INDUSTRY 1960

Ottawa, Ontario,
26th October, 1960.

---Held before Vincent Wheeler Bladen, Commissioner,
at the Parliament Buildings, Ottawa, Ontario.

PRESENT:

| | | |
|-------------------|---|-----------------------------|
| Mr. C.D. Arthur |) | Economic advisers to the |
| |) | Commission |
| Mr. S. Stykolt |) | |
| Miss E. Leitch | | Secretary of the Commission |
| Mr. L.P. Kavanagh | | Administrative Officer. |



1 THE CHAIRMAN: I have agreed to take the
2 submission of the Interprovincial Farm Union Council
3 first.

4
5 SUBMISSION OF THE
6 INTERPROVINCIAL FARM UNION COUNCIL

7 Present: A.P. Gleave,
8 Chairman.

9 MR. GLEAVE: This submission to the Royal
10 Commission on the Automotive Industry is made by the
11 Interprovincial Farm Union Council.

12 We represent 600,000 farm families, voluntary,
13 direct dues-paying members of the farm unions in the
14 provinces of Ontario, Manitoba, Saskatchewan,
15 Alberta and British Columbia, and we appreciate --
16 I take it you want me to read it.

17 THE CHAIRMAN: I would prefer you to high-
18 light it rather than read it. We have studied it, but
19 I think it is wise for you to talk about its important
20 points. I think if you would read parts of it, but
21 assume that we have read it and studied it.

22 MR. GLEAVE: Generally speaking, I think that
23 the first thing I would say is that the problems, as
24 we see them, and which are basically set out on
25 page 2, are high per-unit costs of production of
26 an industry in a high-cost economy, and we have just
27 come to look at the Canadian economy just about that;
28 and (b) the problem, of course, of a relatively small
29 market in Canadian cents which doesn't compare with the
30



1 American market and mass consumption, doesn't have
2 the benefits of the mass consumption of the American
3 market either; and, of course, what this Commission
4 is concerned about is an aggravation of these
5 difficulties by increased pressure of foreign
6 competition on our domestic market. As a result, we
7 have the opinion expressed that higher protective
8 tariffs are required to relieve the pressure of these
9 outside imports.

10 It is our opinion that the added tariff
11 protection probably won't solve the problems that
12 are facing the industry, because it won't cut down the
13 cost. It may increase the limited market you have
14 to a limited degree, but it won't be sufficient.
15 And also, as far as we are concerned at the farm end
16 of the deal, overseas trade is extremely important
17 to us. For instance, 70 per cent of our
18 agriculture, as we point out, goes into domestic
19 consumption, but 30 per cent we sell outside of this
20 country. Our wheat, from 55 per cent to 71 per
21 cent, has to go outside of this country to find a
22 market; we have to go to people outside of this
23 country to keep a great deal of our agricultural
24 industry going, and that is also true of oats, barley,
25 rye, flaxseed, and this is a pretty important part
26 of our agricultural production.

27 We point out that in terms of the total
28 national exports agricultural products constituted
29 21.4 per cent of the total Canadian export dollar volume
30



1 value in 1958 and 19.1 per cent in 1959. This is
2 just about one-fifth of what is exported out of Canada,
3 and the United Kingdom is one of Canada's top
4 customers. Wheat ranks first, and tobacco, if you
5 are farming in Ontario. These are some of the products
6 that have to find their way into the overseas
7 market.

8 Of course, as farmers we are concerned with
9 and when this overseas market is affected, and the
10 tariff restrictions on British imports of automobiles
11 at this time would certainly not stimulate the
12 expansion of our agricultural exports in that
13 country. This holds true if you look at West
14 Germany, it holds true if you look at Japan, and
15 other countries to a lesser degree.

16 On page 4 we quote from the report of the
17 Royal Commission on Canada's Economic Prospects,
18 and it says in regard to the role of agricultural
19 exports -- and I will read this because I think it is
20 important --

21 "Part of the explanation of the decline
22 must lie in the relative decrease in
23 world demand for Canada's agricultural
24 products, but this has been at least
25 partly offset by the rapid growth in
26 world demand for industrial materials
27 of mineral and forest origin. There can
28 be little doubt, however, that given
29 less agricultural protectionism than is
30



1 "now rampant in the world, Canada's
2 exports of agricultural products
3 would be larger than they have been
4 in recent years, and probably the ratio
5 of Canada's over-all exports to national
6 output would be larger.'

7 In other words, we are looking for a world
8 in which there is less protection rather than more,
9 and when you get into selling agricultural products
10 in the world markets you are in a very tough
11 position; it is a hard competitive market. The
12 Argentines, Australians, Russians offer us just as
13 tough competition when you get into world markets
14 as you can get.

15 I am not as well acquainted with farm costs
16 in Ontario as I am with costs in the west, but the
17 capital cost of machinery, farm fuel and repairs
18 and labour would be in that order, and two of those
19 items are items that come out of the industrial
20 complex of this country, machinery and cars. Cars
21 and trucks are not a luxury, they are absolutely
22 essential for the operation of a farm.

23 Now, on tariffs, trade and employment, we
24 believe it is a reasonable premise to suggest that
25 Canada's ability to develop on a sound, economic
26 basis depends, to a considerable measure, upon her
27 ability to establish herself as a successful trading
28 nation, and this we have been right from the
29 beginning of even the settlement of this country. The
30



1 whole settlement of western Canada -- I shouldn't
2 say the west, that is actually the west coast --
3 but the whole settlement of the western region was
4 predicated on trade, because the people there were
5 not obviously going to consume all the agricultural
6 products produced in that region.

7 On page 6 you have the table showing the
8 balances of volume of trade, the United States, the
9 United Kingdom and other countries, and gives you a
10 clear picture of what this means in export terms.

11 On page 7 we deal to some extent, rather
12 sketchily, with the automotive industry itself, and
13 the imports of automobiles and parts into Canada in
14 1959 from the United Kingdom totalled \$100 million.
15 Imports from West Germany were \$38 million, and
16 from France \$18,500,000. However, we point out that
17 the imports from the United States of automobiles
18 and automobile parts totalled \$424 million, and
19 of this amount the value of Canadian imports of
20 United States automobile parts and assemblies alone
21 totalled \$334 million. It is with the United States
22 that we have an imbalance of trade, not with the
23 United Kingdom. We already have an imbalance with
24 the United States, and if you do limit volume of
25 imports from Great Britain and she continues to buy
26 as much from us, our imbalance will not be corrected,
27 the basic imbalance will remain.

28 In talking to the Canadian Political Science
29 Association in Toronto on June 3, 1955, Dr. Clarence
30



1 L. Barber of the University of Manitoba made
2 reference to the effects of tariffs to our national
3 economy. He pointed out that tariffs deny the
4 consumer access to alternative sources of supply
5 and foster monopolistic practices. He pointed out
6 that where monopoly profits exist, the Canadian
7 manufacturer might be able to survive the loss of
8 tariff protection and meet the competition of
9 imports at a lower level of profits; and lowering
10 of tariffs, he added, might force specialization
11 on the part of the manufacturer.

12 We think we might make a suggestion to
13 the industry that it might be possible for this
14 industry to operate within Canada if it were to
15 look at the Canadian market and design itself to
16 meet the terms and conditions of that market. I
17 don't know what the rest of the people who use
18 trucks want, but as far as I am concerned, as a
19 farmer -- and I always have two or three of them on
20 the farm -- I don't care whether you change the
21 model within 10 years, I don't care particularly
22 what it looks like. I do care whether it is an
23 efficient unit to move the grain from point A to point B,
24 and I do care whether it continues to operate. As
25 to what it looks like, I am not too particular; and
26 if it could be sold to me for less by reason of not
27 changing models, I would not want the models changed.
28 I do believe that if this fact was realized, and if
29 it is true of other truck users, I think that possibly
30



1 the Canadian industry may serve this market.
2 This is a pretty radical change from what we have
3 been doing, but I don't think we have looked
4 thoroughly enough at this angle of the business, and
5 the farm market is a considerable one for these
6 types of vehicles. I suspect the same might be
7 true of cars.

8 We would also point out that the very
9 automobiles on which the recent increases were
10 decided, put into effect -- that this industry of
11 German and British cars does create employment in
12 Canada. It is created even in the small prairie
13 cities I come from, creating distributing agencies
14 and employing great numbers of people in
15 distributing and selling these automobiles. So
16 these are some of the opinions we have as farmers.

17 On page 9 we point out some of the
18 possibilities of price competition, and we also
19 quote here at one point the opinion of one of the
20 United States manufacturers that it might or should
21 be possible in terms of skill to operate a Canadian
22 industry on a reasonably efficient basis and sell
23 to the Canadian consumer, and I suspect that this
24 could actually be accomplished because of the
25 opinion that -- if I could find that point here --
26 yes, Mr. George Romney, President of the American
27 Motors Corporation, testifying before the United
28 States Senate Sub-Committee in 1958, stated that
29 according to studies carried out by his company the
30



1 optimum output from an automobile assembly line is
2 62.5 cars per hour. He said further that the company
3 that can build between 180,000 and 220,000 cars a
4 year on a one-shift basis can make a very good profit
5 and not take a back seat to anyone in the industry
6 in production efficiency. He added that when
7 production reached 180,000 to 200,000 cars a year,
8 the cost reduction flattens out from a manufacturing
9 cost standpoint, and from 360,000 to 400,000 on up
10 it is a negligible thing.

11 Now, this is the opinion of, I think, from
12 my understanding, a fairly successful operator in
13 the manufacturing automotive industry, and if this is
14 so, if you want to keep the Canadian industry going
15 and in a healthy position and making jobs for the
16 people that are in it and providing good vehicles
17 for the people who use them, then it is our opinion
18 that a possible answer might be to create Canadian
19 industry to do this.

20 Perhaps you people think farming is a long
21 way from the automotive industry, but it isn't; it
22 is only a matter of 1,500 miles. When you have
23 got the very same problems of cost of production, of
24 labour, volume of sales -- we are selling in terms
25 of grain about two-thirds, I suppose, of our
26 production instead of the total. We have to operate
27 on that basis, and we have found that our optimum
28 efficiency is not reached at a very small unit,
29 but it is reached at a relatively medium-sized unit,
30



1 and when you get over that unit your offerings in
2 skill a r e v e r y considerable and you reach a
3 point where you reach optimum efficiency of
4 production, and if this is so -- if Mr. Romney
5 is right -- that would be the objective, but we don't
6 think this objective has really been tried for in
7 Canadian industry.

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3 You have instead several companies
4 operating a diversity of models tied into industry
5 that is controlled in another country and it is
6 attempting to operate with that, but we don't think,
7 as we say again, that increased tariff protection
8 is going to really solve the problems of these
9 industries. In fact, it may even make it more
10 difficult to price your product to the ultimate
11 consumer in Canada than it already is, and you
12 at some point may create a buyer's resistance;
13 at some point the purchaser just quits buying.

14 In conclusion, on page 15 -- and I will
15 make this fairly brief -- we would state that we
16 believe the decline of the competitive position
17 of the Canadian automobile industry on our
18 domestic market cannot be blamed entirely on the
19 effect of imports of foreign automobiles. We
20 believe there are steps that can be taken by the
21 industry in Canada to vastly strengthen its com-
22 petitive position. In this regard, our recom-
23 mendations are as follows:

24 There is apparently at present too large
25 a diversification in the number of models being
26 manufactured by the Canadian industry to economic-
27 ally meet the relatively small demands of the
28 Canadian market. This fact suggests a need for the
29 manufacture of a distinctively Canadian model of
30



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2 automobile in a low price range that can success-
3 fully compete with foreign imports. Because of high
4 costs of design changes spent every year by the
5 industry, greater standardization of design should
6 be instituted by the industry.

7 Close study should be given to the re-
8 duction of overhead expenses of the industry as a means
9 of providing advantages in price competition and
10 lower consumer prices for automobiles.

11 As a further stimulation to the Canadian
12 automobile industry, the manufacturing of parts
13 for assembly in Canada should be considered.
14 If studies reveal that this cannot be undertaken
15 economically, bearing in mind the added costs to
16 present imports of parts that result from the
17 tariff rates applied, consideration should be given
18 to the removal of tariffs on imports of U.S.
19 parts in order to enhance the competitive position
20 of Canadian-manufactured automobiles and the
21 lowering of prices to the customer.

22 The possibility of re-organization within
23 the automobile industry itself should be considered,
24 whereby Canadian manufacturers would produce in
25 addition to a distinctive Canadian model auto-
26 mobile, a limited number of the wide diversity
27 of models of automobiles presently produced in
28 United States plants which would be used to supply
29
30



1 the needs of customers in the United States, Canada
2 and export markets.

3 That no consideration be given to in-
4 creasing tariff rates on imports of foreign auto-
5 mobiles in the interests of maintaining industries
6 now producing goods for Canada's export market.

7 Thank you, sir.

8 THE CHAIRMAN: Thank you, Mr. Gleave. I
9 think I should start by saying to you, as I did to
10 the representative of the British Columbia Forest
11 Industries, that this Commission is not unaware
12 of the fact that the automotive industry is a part
13 of Canada and that its problems have to be considered
14 in the context of the Canadian economy as a whole.
15 However, it has some special problems and they are
16 pretty complicated, so I would like to ask you for
17 further suggestions, and perhaps we can take up
18 what is a fairly non-controversial item so far;
19 I have only had difficulty with the Prime Minister
20 of Ontario on this so far.

21 I take it that your emphasis on the car
22 as a necessity would mean that you would support the
23 abolition of the excise tax, which is a special
24 impost on the automobile?

25 MR. GLEAVE: Well, not necessarily. If,
26 for example, it wasn't essential to the taxation
27 structure, certainly we would; that is, as a lowering
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29
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1 in the price of cars. As far as we are concerned,
2 it is essential in the farm operation.

3 THE CHAIRMAN: The problem here first is
4 how you find some other money, that is another
5 problem, but the automobile has been singled out
6 for special excise, which is not quite as heavy as
7 that on, say, whisky?

8 MR. GLEAVE: No.

9 THE CHAIRMAN: But it has been argued by
10 many parties that this is unreasonable, it is
11 discriminatory; it is a luxury tax on a necessity.
12 Now, I was wondering whether your argument about
13 the necessary character would lead you to give
14 support to this proposal.

15 MR. GLEAVE: Well yes, I think you would
16 want to make sure that the manufacturer didn't
17 grab it for himself, but if you could take it out
18 and see that the consumer got it, yes, because
19 for a large sector of our population it is a
20 necessity, and I would agree with you in this point
21 or I would accept your suggestion, but I would say
22 also you should make sure that the customer gets
23 it.

24 THE CHAIRMAN: I was told yesterday that
25 is what they have done in the previous reductions.

26 MR. GLEAVE: Yes.

27 THE CHAIRMAN: However, since the unions
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1 are well represented this morning should I suggest that
2 perhaps it is not always the manufacturer that grabs
3 it, and should we have to be a little anxious that
4 the unions don't make this the basis for a further
5 advance in wages?

6 MR. GLEAVE: Well, I think so. As far as
7 we are concerned in our organization we listen to the
8 arguments that the unions are responsible for all
9 the jumps, and other arguments that management and
10 capital is responsible for all the jumps in price,
11 and we suspect that it is probably about evenly
12 distributed and that rather than instead of blaming
13 one sector of the industry or another sector, you
14 have to take a look at the whole thing and see how
15 you can pull it together.

16 THE CHAIRMAN: We are not really blaming
17 here, we are just explaining, and the wheat farmer
18 tries to get the best price for his wheat.

19 MR. GLEAVE: Yes.

20 THE CHAIRMAN: And that is what the manu-
21 facturers and unions are doing?

22 MR. GLEAVE: Yes.

23 THE CHAIRMAN: But your point is to get
24 the excise tax off if there is a reasonable basis
25 for believing that this will break down the price
26 of automobiles?

27 MR. GLEAVE: That is right, yes; we go for that.
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2 THE CHAIRMAN: Now, you have quoted my
3 colleague in the University of Manitoba, Dr.
4 Clarence Barber, and I suppose that really I
5 should some day tackle him rather than you, but
6 let me ask you about certain problems arising out
7 of this. Lowering of tariffs might force
8 specialization on the part of manufacturers; of
9 course, lowering of tariffs might eliminate the
10 manufacturers, which is the other possibility.

11 MR. GLEAVE: Yes.

12 THE CHAIRMAN: Would this worry you, or
13 would you say that unless the automobile industry
14 can survive under these conditions it shouldn't
15 exist?

16 MR. GLEAVE: Well, that is a pretty harsh
17 thing to say, because it is our position that we
18 are not necessarily saying that the Government should
19 abandon the automotive industry and wash it out
20 because we ourselves as farmers, and grain growers,
21 have gone to the Government because we are in a
22 tough spot and said that this is too important to
23 Canada to wash out, but I don't think that you can
24 insulate the industry from the effects of the world
25 market, and I don't care whether it is the wheat
26 or the automotive industry, it has got to live with
27 the facts that exist in the world today.

28 THE CHAIRMAN: Suppose it did survive,
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2 you say it might force specialization on the part
3 of the manufacturers, and there is a little feeling
4 through the brief that it would survive because
5 there is some monopoly profits on the whole,
6 and I would gather from the brief that you don't
7 love a monopoly.

8 Now, suppose I suggested that the special-
9 ization might well come about through the elimination
10 of four or five companies and leaving one company
11 in the market which would thereby have considerable
12 possibilities of reducing cost, but it would be
13 a monopoly.

14 MR. GLEAVE: Yes.

15 THE CHAIRMAN: Would this worry you
16 or --

17 MR. GLEAVE: I think in that case you
18 would treat it as a public utility and subject it
19 to the same regulations and control that are
20 imposed on a public utility, and if by doing this
21 you could achieve the main objective -- which in
22 our opinion is the production of vehicles for the
23 use of the Canadian people at the minimum cost --
24 if you could achieve this objective through this
25 means, then, as I say, you might have to treat it
26 as a public utility with certain regulatory powers
27 and control on its profits and its wage scales. I
28 think --
29
30



1 THE CHAIRMAN: And its wage scales?

2 MR. GLEAVE: Yes, its wage scales. You
3 can't control its profits and let the other boys run
4 it.

5 THE CHAIRMAN: Well, to press this a little
6 further, you have quoted about the length of pro-
7 duction when you get up to 180,000 or 200,000.
8 Now, this looks like a pretty good production in a
9 Canadian market, and you also talk about re-
10 organization of the industry; is your proposal
11 really that we do re-organize, perhaps set up a
12 Crown Corporation and produce cars in competition
13 with the industry, or perhaps protect the Crown
14 corporation by not encouraging others to produce?
15 You are going to have this sample Canadian car,
16 and it has to be made in such quantities that it
17 is cheap so that you will be able to make 200,000
18 of them, or so, but the whole Canadian production
19 is not much over that at the moment. What is your
20 plan of organization? I can't report to the Govern-
21 ment that you should re-organize; I have got to
22 say, if it is to re-organize, that it has to be
23 in some form.

24 MR. GLEAVE: Well, I think it is basically
25 that Canadians have the technical know-how and the
26 capital and the ability to produce vehicles just
27 as well as people in Germany or England or the
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2 United States; you simply have to get your production
3 costs down to the point where you can do this,
4 and with all due respect to yourself, Mr. Chairman,
5 I am not going to sit here this morning and
6 say how you can re-organize the Canadian automotive
7 industry, because this I don't have in my head.
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3 THE CHAIRMAN: That is all right, but if
4 you come here and suggest it should be re-organized
5 then I am entitled to ask you for elaboration.

6 MR. GLEAVE: I think we have suggested
7 that a study be made of the industry with the view --

8 THE CHAIRMAN: I am making this study
9 now, and I want hints of what lines it should take.
10 Have you in mind a complete break with the
11 present industrial system which relies on competing
12 industrial firms and private enterprise; are you
13 looking towards some public corporation?

14 MR. GLEAVE: If necessary, yes; we would
15 say so. One of our feelings is that the industry
16 is so tied to the United States industry that it
17 is not possible for it to look at the Canadian
18 market as such and gear itself primarily to this
19 market. Our thinking is that decisions are made
20 relative to the Canadian part of the industry that
21 do not necessarily take into consideration the
22 facts in the Canadian economy enough, and if it
23 could be accomplished by a Canadian utility, or
24 controls on the industry to get the volume --

25 THE CHAIRMAN: There has got to be a
26 cheaper car?

27 MR. GLEAVE: I think there has.

28 THE CHAIRMAN: This surely means that
29 we have to have more volume.
30



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2
3 MR. GLEAVE: That is right.

4 THE CHAIRMAN: How do we get this --
5 by standardizing and saying that the Canadian
6 people shall have a cheap car and they must have it?

7 MR. GLEAVE: Yes.

8 THE CHAIRMAN: And if they want to drive
9 a different sort of car they may not do this because
10 this would affect the length of run. Are you
11 going to not only discipline the industry but
12 going to discipline the consumers as well and say:
13 "This is the kind of car you shall have. We,
14 the Government, have decided what kind of car
15 the people of Canada should have, and you have got
16 to have it". Is this the line?

17 MR. GLEAVE: I think you might have to go
18 this far, I think you might -- that is, if you want
19 to keep a Canadian industry, which is what I under-
20 stand --

21 THE CHAIRMAN: This is essentially what
22 Hitler did when he introduced the Volkswagen?

23 MR. GLEAVE: Yes, that is essentially
24 what he did in that particular instance, and if
25 your objective is to keep the jobs for the people
26 who have been trained to do this particular kind
27 of work, and if to attain that objective you
28 have to go to this extent, then I think you should
29 go to it.
30



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2
3 THE CHAIRMAN: Now, we have an austerity
4 car and it is a Canadian car, but we have also got
5 free trade, and free trade offers us from the
6 United States all kinds of varieties of beautiful
7 things -- I do not think they are beautiful things,
8 necessarily, but the consumers apparently do --
9 and it offers us all the beautiful products of
10 Europe and England. What will happen, as a matter
11 of fact, is that your Canadian people will buy
12 these diversified things and will leave this
13 austerity Canadian car alone.

14 MR. GLEAVE: Do you mean leave it alone
15 in the showrooms?

16 THE CHAIRMAN: That is right. You have
17 been arguing for free trade and this special car.
18 If you have the tariff then I suggest you cannot
19 have your one austerity car, manufactured at the
20 rate of 200,000 a year by one producer which is
21 a public utility.

22 MR. GLEAVE: You would have to maintain,
23 possibly, let us say, the present regulations, but
24 I think if you offer --

25 THE CHAIRMAN: Do you think the present
26 tariff would be enough if, in fact, we were not
27 offering in Canada something like the variety we
28 now are?

29 MR. GLEAVE: I do not think you need the
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variety you now have.

THE CHAIRMAN: Why do people buy with such variety? I would have thought the real strength of the imports was their variety.

MR. GLEAVE: I am not sure it is. For instance, the difference between, let us say, a Pontiac and a Chevrolet, to take two models, is not very great. I am not sure, but I think that people through advertising media are persuaded there is a difference; that there is a little more prestige in one as against the other, and advantages in one as against the other. You would be subject to that advertising whether you did anything in Canada or not.

THE CHAIRMAN: The advertising takes place anyway because these cars move through the streets. I look on it as a provocation that a consumer should find next door to his hotel in the Art Gallery, displayed as a work of art, a Peugeot. Even if it is not in the Art Gallery, there it is displayed, and to some people it appears as a work of art. Even though there are no advertisements in the papers, people are going to see it and are going to say: "I want that rather than the utility austerity Canadian 'Beaver'".

MR. GLEAVE: You can call it a "Beaver",



1
2 or anything you like, but I think it has been shown
3 already that the Canadian people will buy what
4 you might call an austerity car. You might look
5 at some of these imported models -- you might look
6 at the Volkswagen, for example, and you will see
7 that it is an austerity car, and the Canadian
8 people are buying a lot of them.

9 THE CHAIRMAN: I am not denying that,
10 but they will have to buy 200,000 of them a year.
11 They do not buy 200,000 Volkswagens -- at least,
12 not yet.

13 MR. GLEAVE: Not yet, but if you could
14 produce a model at a price I think you could sell
15 a lot of them.

16 THE CHAIRMAN: Of course you can sell a
17 lot of them, but the problem is: Can you sell enough?
18 This is my problem, and the difficulty of the whole
19 thing. It is so easy to say that you will sell a
20 lot, but you have to sell such a tremendous
21 quantity. Let me change the line of the inquiry
22 a little. You have suggested:

23 "As a further stimulation to the
24 Canadian automobile industry, the manu-
25 facturing of parts for assembling in
26 Canada should be considered."

27
28 Well, the parts industry is coming before me
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2 tomorrow, and I think they will say that the manu-
3 facture of parts is not being considered, and
4 that a very large number of people are employed in
5 this industry.

6 "If studies reveal that this cannot
7 be undertaken economically, bearing in
8 mind the added costs to present imports
9 of parts that result from the tariff
10 rates applied, consideration should be
11 given to the removal of tariffs on imports
12 of U.S. parts in order to enhance the
13 competitive position of Canadian-
14 manufactured automobiles and the lowering
15 of prices to the customer."

16
17 This is, again, one of the blocks. I
18 suppose it would be relatively easy to promote
19 the assembly of cars as long as there was free
20 importation of all parts and components, but
21 this is, I would gather, the least important part
22 of the industry. ;We are not manufacturing a
23 car when we bring all the pieces together and
24 finally assemble them. This suggests that you
25 would be perfectly happy to see a Canadian car
26 assembled here ~~without~~ reference to where the
27 pieces came from?

28 MR. GLEAVE: I think even under the
29 present tariff protection a great deal of parts
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2 and assemblies are being brought in now.

3 THE CHAIRMAN: Yes, a great deal, but
4 a great deal is also being produced here, and
5 certain parties appearing before me are arguing
6 that more of these should be made here.

7 MR. GLEAVE: Yes, we would be quite happy
8 if more of them were made here, but the point is
9 that over this period of time with the tariff in
10 effect a great deal of the assemblies and parts
11 are being brought in, it is obvious that the
12 present tariff in effect has not had the result
13 that those who set it up hoped for. You should
14 look at it the other way --

15 THE CHAIRMAN: You should raise it?

16 MR. GLEAVE: Yes, raise it further yet,
17 but if you do apparently your objective then is
18 to force more manufacturing of parts here. If
19 you are going to increase the tariff you are going
20 to increase the final cost of the car, and the
21 final cost of the car is too high now.

22 THE CHAIRMAN: In other words, you are,
23 in effect, saying that we are at present protecting
24 the parts industry too much?

25 MR. GLEAVE: The point is this; if you
26 want --

27 THE CHAIRMAN: If you want a cheap car?

28 MR. GLEAVE: Yes, if we want a cheap car
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2 one way in which to get it is to let all the parts
3 come in.

4 THE CHAIRMAN: And all the cars, as a
5 matter of fact, too? In other words, we had better
6 just abandon the industry?

7 MR. GLEAVE: If you want to leave it
8 integrated with the American industry entirely --

9 THE CHAIRMAN: What do you mean by
10 "integrated"?

11 MR. GLEAVE: If you want to leave it
12 dominated by the American industry and as an
13 integral part of the American industry, and then
14 if you take off the tariff and let all of your
15 parts come in, I presume you could get the same
16 benefits of price that the American consumer is
17 now getting.

18 THE CHAIRMAN: But why would the American
19 even assemble here?

20 MR. GLEAVE: He might not.

21 THE CHAIRMAN: So you are quite prepared
22 to see the whole industry abandoned?

23 MR. GLEAVE: Not actually, but this is
24 one way of doing it.

25 THE CHAIRMAN: Sure, we know how to do
26 it, but I am asking the Interprovincial Farm Union
27 Council for suggestions as to how it should be done.
28 We should not worry about it, and we should take
29 off all the protection -- this is the free trade
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2 argument; I am not trying to make a fool of you,
3 or anything like that, but I want to make it
4 perfectly clear whether you are taking the rigid,
5 brutal free trade line that this industry either
6 competes or closes up.

7 MR. GLEAVE: Yes, by either one of two
8 courses, and get the full advantage of American
9 mass production, or else seek another course --

10 THE CHAIRMAN: Which means closing it
11 down?

12 MR. GLEAVE: --- in which you decide some
13 means or measures by which you can maintain the
14 Canadian industry and get low costs in that.

15 THE CHAIRMAN: And this means closing it
16 out to and manufacturing this austerity car and
17 thus depriving those of us who are amused by
18 different kinds of cars from the opportunity of
19 having this variety, except at some staggering
20 expense?

21 MR. GLEAVE: Yes, I think it is either one
22 of the two points, as you have indicated.

23 THE CHAIRMAN: You have used the word
24 "integration". I am wondering whether you and I
25 use it in the same sense.

26 MR. GLEAVE: It is a bad word.

27 THE CHAIRMAN: No, I do not think it is a
28 bad word; I think it is a rather good word. What
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2 would you think of negotiations that would enable
3 us to get the advantage of larger scale production
4 by arrangements with the American parents? For
5 instance, suppose we said: "We are not so much
6 concerned with the assembly of particular models.
7 What we are concerned with is to get a chance
8 of manufacturing some things for the North American
9 continent, at which point the 200,000 runs no longer
10 become pipe dreams". Would you feel that this
11 line towards cheaper cars for farmers is an
12 attractive one that I should explore?

13 MR. GLEAVE: What you are saying, if I
14 understand you, is that you would say to the
15 American industry, or you would say to the industry,
16 that you recognize this as a part of the North
17 American industrial complex, and you would say,
18 in effect, that in order to keep it so we want
19 a deal from General Motors, Ford, etc., that
20 certain operations be carried on in Canada, and
21 certain models be produced in Canada? Do I
22 understand you correctly?
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THE CHAIRMAN: Or even that certain parts

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be made in Canada for inclusion in cars made in

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United States and in Mexico, or ...

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MR. GLEAVE: This would be a part of it --

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a possible approach, as I understand it. Talking

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to some of the people our trouble is that we are not

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geared -- like some of these integrated industries

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we are not geared -- we don't get any of the ad-

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vantages of scale. This might give us one of the

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advantages, and I think if you could get agree-

12

ment -- if you could get an undertaking -- by

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these people that this would be done I think it

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would be a most useful approach -- if it can be

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done.

16

THE CHAIRMAN: One of the problems is

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a political problem?

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MR. GLEAVE: That is right.

19

THE CHAIRMAN: Are you, or your organization,

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worried about -- and I quote -- "increased dependence

21

on the U.S."?

22

MR. GLEAVE: We have no official line on

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this. I think our general line is this, that,

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marketwise, we cannot live with the United States

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alone, because while our cattle exports, for example,

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are largely to the United States many of our

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agricultural exports are to overseas; so we have

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to live with the total complex.

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2 THE CHAIRMAN: I suggested to Volkswagen
3 yesterday that they explore a similar sort of
4 deal.

5 MR. GLEAVE: Yes.

6 THE CHAIRMAN: This is not necessarily
7 a U.S.-Canada integration I am exploring.

8 In your brief you say: "Close study
9 should be given to the reduction of overhead
10 expenses of the industry..." What have you
11 in mind there?

12 MR. GLEAVE: One of the expenses that we
13 had in mind was, again, the variety of models;
14 the cost of advertising and distribution. It
15 is in these areas.

16 THE CHAIRMAN: Suppose the Canadian
17 companies didn't advertise. Do you think that
18 the imports would not be sold even more success-
19 fully?

20 MR. GLEAVE: Well, they may, or they may
21 not. I think there is one thing -- advertising is
22 done for two reasons. You have a new product,
23 or something that demands development, and you
24 want to tell the public that you have this wonder-
25 ful new development and you want them to buy it.
26 This is the introduction of the idea. This is
27 one presentation. The other presentation is to
28 convince the public, of course, that you are
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2 manufacturing the best of all tractors, or the
3 best of all sewing machines and that I should buy
4 Model "A" instead of "B".

5 I think the first objective has been
6 accomplished so far as cars are concerned. You
7 don't need to convince people that they need a
8 motor car or as to the price at which they can
9 buy it; and all you are left with is to convince
10 them that the thing you have is the best. We
11 suspect that this is being overdone.

12 THE CHAIRMAN: When you say "overdone"
13 do you think a company would be wise just to cut
14 that cost?

15 MR. GLEAVE: I think so.

16 THE CHAIRMAN: If Ford should decide to
17 drop advertising what would happen to its sales?

18 MR. GLEAVE: I don't know how, within
19 the limits of our free economy, you can live in the
20 amount of advertising that is ...

21 THE CHAIRMAN: But have you a suggestion
22 that you can make? Have you a suggestion as to how
23 we could possibly limit advertising, and could that
24 be in general,, or would that apply in particular
25 to automobiles?

26 MR. GLEAVE: Well, we are only dealing with
27 the automobile industry.

28 THE CHAIRMAN: You made me deal with wheat
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1
2 in the beginning.

3 MR. GLEAVE: I beg your pardon?

4 THE CHAIRMAN: You made me think about
5 wheat for a long time before you got to the auto-
6 mobile industry and, therefore, I thought of the
7 automobile industry in the context of the Canadian
8 economy.

9 Can we ask for regulations affecting
10 the advertising industry so long as the toothpaste
11 companies have their TV shows -- at least I
12 believe they do have them; I don't know.

13 MR. GLEAVE: I don't know if you can
14 within this economy, but we think that limiting
15 advertising to a percentage of production, or
16 percentage of overall expenditures, would be a
17 most useful thing.

18 THE CHAIRMAN: Just one last question,
19 and on this I suspect that you may want to give me
20 a reference or to supply information later. In
21 page 10 of your brief you have a statement which
22 not only I found it difficult to understand, but
23 which none of the many associates with me have
24 been yet able to understand. You may be able to
25 explain it, or I have no doubt you can give us,
26 or send to us, the reference.

27 This is the statement, that "... the
28 lowest priced car of both of these companies have
29
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1 traditionally retailed for several hundred
2 dollars more than the average price quoted..."

3 How the lowest price can be higher by
4 \$200 than the average is something that is rather
5 hard to understand. I have no doubt it can be
6 explained, that there are some meanings that aren't
7 quite clear, but either I would like an explanation
8 or I would ask you to let me know.

9 It goes on: "Ample evidence has been
10 submitted to the U.S. Senate Committee..."

11 Do I take it that that statement really
12 comes from the Senate Committee?

13 MR. GLEAVE: Yes.

14 THE CHAIRMAN: So if you would let me have
15 the page reference -- or, if you can explain it now?
16 I shall admire you enormously if you are able to.

17 MR. GLEAVE: Thank you. Yes, we picked
18 this out from the U.S. Senate. We will send you ...

19 THE CHAIRMAN: What does it mean?

20 MR. GLEAVE: I forget the page.

21 THE CHAIRMAN: It is page 10 of the brief.

22 MR. GLEAVE: So far as we have it there,
23 the lowest priced cars of these companies are
24 selling higher than the average price that is
25 shown.

26 THE CHAIRMAN: Well, you think the average
27 price shown is a deception, is it? The lowest price
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2 cannot be higher than the average unless one or
3 other is a lie. You are suggesting that one or
4 other of these is wrong?

5 MR. GLEAVE: Yes, that is the suggestion.

6 THE CHAIRMAN: I think we had better
7 have the reference.

8 MR. GLEAVE: Yes.

9 THE CHAIRMAN: Thank you very much, Mr.
10 Gleave.

11 I suggest that we adjourn now until a
12 quarter to 11, at which time I shall hear Mr.
13 Burt on behalf of the United Automobile
14 Workers.

15
16 ---Recess.

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2 THE CHAIRMAN: Mr. Burt?

3
4 SUBMISSION OF
5 UNITED AUTOMOBILE WORKERS (UAW-CLC)

6 PRESENT:

7 Mr. George Burt - Canadian Director, UAW

8 Mr. Carrol Coburn - Assistant Director
9 of Special Projects,
10 UAW.

11 MR. BURT: You already have copies of
12 our brief, Mr. Chairman, and I don't know whether
13 you want us to read the brief?

14 THE CHAIRMAN: I would rather you
15 speak to it than read through it.

16 MR. BURT: Well, we have already sub-
17 mitted a brief -- a memorandum -- to the Government,
18 and many of the matters which we will deal with
19 in our present submission were submitted in brief
20 form to the Prime Minister and Cabinet, when we
21 made a request that an investigation take place
22 of the automobile industry, and our whole purpose
23 in appearing before you is for the purpose of
24 helping this industry to provide more jobs for
25 automobile workers.

26 We have a number of very serious problems
27 among our automobile workers at the present time,
28 and one in particular in one large company which
29 found it necessary to move from one location to
30



1
2 another, where we have a situation that it is
3 necessary to have as much as 17 or 18 years'
4 service with the company to qualify for a job.

5 Down through the industry, in varying
6 degrees, I might say that this has somewhat been
7 relieved now as the industry gets into swing
8 on its production of new models, but we find that
9 a considerable number of our people are laid off
10 even during what could be considered the busiest
11 season in the industry. We have many thousands
12 of our people who are unemployed

13 So our purpose is to see if something
14 can be done to create more work, and our suggestions
15 are with that view in mind.

16 We have also heard from the employers in
17 earlier submissions to this hearing and, of
18 course, they are interested in more sales. Well,
19 if you get more sales you get more jobs, and
20 that is one place where the employer and the union
21 are together, even although there are a number
22 of areas where they are not so close together.

23 Although the volume of car sales was up
24 in Canada in 1959 over 1958 -- about 50,000 more --
25 nevertheless, we find that as far as our situation
26 is concerned, our share of our domestic market
27 and our share of the import market has been
28 drastically reduced; and the drastic reduction in
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30



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2 domestic sales is due a great deal to the importation
3 of automobiles -- foreign imports -- about 30 or
4 more percent from Britain and, of course,
5 Continental Europe, and about 7 per cent of
6 finished automobiles which are imported from the
7 United States.

8 We believe that it may be that the employers
9 are making a mistake in the manner in which they
10 are fighting those imports, particularly three
11 of the companies -- two particularly -- who seem
12 to be fighting imports with imports. In other
13 words, they have their plants already established
14 in European countries. We do not believe that,
15 so far as they are concerned, they care too much
16 whether they make a profit on the imported car
17 from Europe or make a profit on the Canadian car
18 that is manufactured in Canada, or make a profit
19 on the one imported from the United States. We
20 think, so far as they are concerned, they would be
21 satisfied to import from Britain if the profits
22 were greater, or even as great; and the possibility
23 of selling cars in Canada by that method has an
24 appeal to the manufacturer.

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1 Of course, as a result of that kind of a
2 program, we would find, if that increased, more and
3 more of our people out of work , and we believe that
4 Canada already has a sufficiently large unemployment
5 problem; indeed, it is so large now that it is
6 receiving special attention from the Government of
7 Canada to the extent where a new 25-man committee
8 has been established by the government, composed of
9 all walks of society in Canada, for the purpose of
10 trying to grapple with this problem. The automobile
11 industry is one of the greatest of Canada's secondary
12 industries, and we believe that if something could
13 be done to increase the job opportunities in this
14 industry, then it would not only relieve the plight
15 of our thousands of unempbyed auto workers, it would
16 relieve the unemployment problem of Canada as a whole.

17 There are certain things we point out in our
18 brief, problems, and we make suggestions as to what
19 we think could be done to help solve them. First of
20 all, we feel that the pricing policies of the
21 companies should be looked into. We have some
22 reason to believe that, although Canada had what
23 could be termed a fragmentized market, it is divided
24 up into many fragments -- they make almost as many
25 models of cars as they do in the United States --
26 that as far as the pricing policies are concerned,
27 if you strip down a car and take all the taxes off
28 the automobile and compare the price of the car in
29 Canada as compared to the United States, the difference
30



1 is almost the difference in the tariff. In the case
2 of the largest big three, the pricing policies they
3 have got, we claim, and we have found reason to
4 believe, that it is done with the idea of not just
5 making a reasonable profit but with the idea of
6 making a 20 per cent profit -- they have achieved this
7 down through the years -- 20 per cent profit over
8 their cost, and that is done on the basis of a
9 possibility of 180 days' production in a year. Our
10 research department has gone into this matter, and we
11 have come to conclusions, and we feel that these
12 pricing policies, when they are applied to Canada,
13 means the Canadian manufacturer has to achieve the
14 same kind of profit margin as they achieve in the
15 United States, generally speaking, and without the
16 volume, and we think some investigation should be
17 made on these pricing policies to find out whether
18 or not there is substance in what we say, whether or
19 not this is the proper thing to apply to the
20 Canadian industry.

21 We have a number of proposals to make, and
22 we agree with some of our predecessors who have
23 appeared before you that the excise tax should be
24 eliminated. That is one area we do agree on, and
25 you would be surprised how many areas that we do
26 agree on. As a matter of fact, with all the
27 automobile companies we have successfully come to
28 agreement, so we do come to some kind of understanding
29 from time to time. We believe definitely in the
30



1 elimination of the excise tax, which was promised by
2 Prime Minister Diefenbaker prior to his election,
3 that he would eliminate it. He has come part of the
4 way, and we think it should be eliminated. But we
5 also believe it should be passed on to the consumer.
6 A suggestion was made by you this morning, sir, that
7 maybe the unions would take their share. I can
8 tell you now there are a lot of other areas in which
9 we can approach these companies without using an
10 excise tax.

11 THE CHAIRMAN: You don't think it would be
12 easier after the excise tax was taken off?

13 MR. BURT: Not after the companies take their
14 whack of it. But as far as passing on to the consumer
15 is concerned, it would have to be very carefully
16 done, because it would resemble the fur coat in the
17 sale, you would not be able to find it. The increase
18 in raw materials, and so on, if it took place,
19 could be used for leaving the price where it is.

20 In order to discourage the autos being
21 made during the war, the government placed a terrific
22 excise tax on automobiles, and after the war they
23 took it off, but they didn't take it off the profit
24 after the war, and I think that should be looked into.

25 Our second proposal -- and I think this so
26 far has found favour with you probably -- we should
27 encourage the European companies to locate in Canada,
28 and we think that the present companies who have
29 plants in Europe particularly -- I guess Europe is the
30



1 only place (Great Britain, of course, is part of it) --
2 they should be able to find it possible to build
3 some of their cars in Canada. Take, for example,
4 General Motors and Vauxhall. I read in the newspapers
5 with a great deal of encouragement that the President
6 of General Motors said that it may be somewhat closer
7 than you think, because Vauxhall sold 27,000 cars in
8 Canada last year, and the Corvairs, which were supposed
9 to compete, in some mysterious fashion failed to compete
10 in Canada, and the result of that was there were very
11 few Corvairs built, although they built a plant for
12 the purpose of turning them out. Nevertheless, the
13 Corvair didn't go over, and we think that those
14 27,000 Vauxhalls, which will probably reach 30,000
15 this year, should be made in Canada because they are
16 sold here.

17 We believe also that Ford Motor Company --
18 they have a number of cars they build in Britain, and
19 it seems to us that they could likewise consider
20 doing the same thing.

21 Now, if this occurred, if the companies would
22 build their cars in Canada, it would reflect itself
23 also in increased employment and sales in the parts
24 industry, because there are two parts to this parts
25 industry; the first one is the manufacture of parts
26 that go into the car when it is being built, and
27 then there is the after market, the service parts,
28 that represents a tremendous amount of employment for
29 the parts industry in this country, and right now there is
30



1 very little of those parts being produced in Canada.

2 We think -- and we outline this in our
3 brief on page 14 -- that an examination should be
4 made of the tariff structure relating to automobiles.
5 It hasn't been done in about 25 years, I think, or so,
6 and there are a lot of loopholes we find in the
7 structure. We had a young university student about
8 three or four years ago make a study of the tariff
9 situation as it relates to the automobile and parts
10 industry, and he spent all summer and his holidays on
11 the thing and he produced quite a document, and one
12 of his recommendations was that it was long overdue,
13 that the government should take a look at the present
14 tariff structure.

15 We think that the parts industry should be
16 allowed to bid competitively on parts rather than
17 the present process of being under control, and
18 they are controlled by the major industry as far as
19 their bidding is concerned. We think that this
20 examination would probably go a long way to correct
21 those inequities in the tariff structure.

22 I might say that you requested, when you were
23 in Windsor, the President, Mr. Kelly, to prepare
24 some materials for you on some of the layoffs that
25 took place. I would like to submit this material
26 to you on behalf of Mr. Kelly after the session here.
27 We think the employers ought to produce figures of
28 their costs and profits and make those figures
29 available, of their costs and their productivity, and so on,
30



1 in the matter of how their prices are set. They
2 do that in the United States, and we don't see why
3 the Canadian section, inasmuch as they are now in
4 serious difficulty, and they have a responsibility to
5 Canada -- why they shouldn't produce these figures
6 for public scrutiny.

7 I have already spoken about the manner in
8 which we say, and with good sound reasons, we think,
9 how prices in at least one corporation in the United
10 States are set, and we believe others follow suit.
11 They really have no relation to what the traffic can
12 bear, and it is based on 180 days per year.

13 We feel that the Canadian content of cars
14 could be raised 75 per cent. We made that proposal
15 to the government already from our District Auto
16 Workers Council, and we have some reason to believe
17 it is possible, although it would take some
18 investigation and may have to be done in some
19 instances on a gradual basis.

20 We have a new company starting to assemble
21 automobiles in Brampton, Ontario, the American Motors
22 Corporation, and there may have to be some adjustments
23 as far as that is concerned. But we feel that for
24 the over-all picture the industry could buy more
25 in Canada, and if they looked around they could probably
26 buy it just as cheap, that they could increase the
27 Canadian content to 75 per cent.

28 We share the view of other people who have
29 appeared before you in respect to the number of models
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1 that are produced. We think there are too many
2 models, too, and while in some parts of the plant
3 most of them run over the same line and you get the
4 same time to do them, there is a great variety in
5 prices to the consumer. During the war period people
6 did do without automobiles, you know, from 1941, when
7 the whole industry geared itself to war production.
8 They so geared themselves to war production that
9 many of the parts, of necessity, were interchangeable
10 between the products of the automobile companies.
11 Actually the automobile industry in Canada was
12 responsible as any industry for putting the Eighth
13 Army on wheels in Africa. As far as the industry is
14 concerned, people did without cars, and when you got
15 your 1946 car, I believe it was -- 1947 -- anyway, I
16 think you got pretty close to a 1941; the dies were
17 there, the pattern was there, and the demands were
18 so terrific that no company wanted to take the time to
19 build a completely new car. So it was just turned out,
20 and they turned out a shiny new automobile and you
21 couldn't get enough of them. So it is not true to
22 say that the industry has to produce a new model every
23 year, because it does make it more costly.

24 Now, we understand that this is controlled to
25 a great extent by the United States, because a great
26 deal of the equipment and stampings come from the
27 United States, and that obviates the necessity for
28 Canadians to do that; they get them from the United
29 States for that purpose.
30



1 I think that down the road somewhere
2 maybe Canada should have an all-Canadian car. However,
3 we don't think it is possible now to deal with the
4 problem before us, and that is more jobs for
5 Canadian automobile workers by proposing that a
6 100 per cent Canadian car be built now. We don't
7 think that is possible, but we think that it is a
8 worthy objective, and even Walter Gordon in his
9 report predicted that by 1980 the Canadian content
10 in automobiles will probably reach 90 per cent, and
11 with that objective in mind we think that is quite
12 a way down the line; we don't think it should take
13 20 years to do it with the growing population of
14 Canada and the money which we have, and we feel that
15 some mention should be made in the report which you
16 are making to the government on the possibility of
17 building a 100 per cent Canadian car.

18 And then, the last proposal which we have
19 is that we are proposing an integration. Maybe that
20 is an unfortunate term, I don't know, but I do want
21 to make it very clear that this is not a proposal
22 for free trade at all, and it seems to us that in
23 the press and also even this morning in the discussion
24 we heard here there is some indication that we are
25 afraid of American control of this industry. Well,
26 goodness sakes, the Americans control it now, and it
27 is not only the automobile industry they control
28 economically, the Americans control a huge section
29 of the home appliance industry, for example, That is
30



1 only a few; we could name a number of other
2 industries that are under American control, and what
3 we say is that control should be regulated and if
4 that means a political decision, then we should
5 recommend that such political decision be made. We
6 don't say it should result in free trade, because
7 free trade will wipe out the automobile industry,
8 and this industry was originally built in Canada on
9 the basis of protection, and it used to have much
10 more protection than it has now, and we cannot
11 dislocate it altogether, all at once. It is necessary
12 to think of the dislocation that is taking place
13 now in this industry and to understand what would
14 happen if suddenly the Government of Canada decided
15 that we will have free trade between Canada and the
16 United States in the automobile industry; there
17 would be no incentive for the manufacturer of cars
18 in Canada at this time. As production facilities
19 now are so integrated with the United States, it
20 would be impossible for us to achieve that at the
21 present time. What we are saying is that a system
22 of buying into the Canadian market to increase our
23 volume should be set up, and then if you had the
24 Canadian market with controls it would mean that
25 we would get any benefit from the volume and, mind
26 you, our researchers don't agree particularly with
27 the statement of Mr. Romney of Studebaker, we don't
28 think that he is right about a limited volume --
29 although we haven't any figures to present here -- but
30



1 nevertheless we feel that a program of this kind
2 should be done by regulation. For example, two
3 companies are already making parts for the United
4 States, and they must compete or they wouldn't be
5 making them. For example, Chrysler have assembled
6 motors, and I understand that they are doing it now,
7 I don't know, but the Ford Motor Company have made
8 parts for the United States, they made pistons, for
9 example, and they made many other parts, so it is not
10 something that hasn't been done at all. Our
11 proposal is that this be increased.

12 We believe that as far as Canada is
13 concerned and Canadian industry and Canadian workers
14 are concerned, that they have a right to a larger
15 share of the work on the automobiles that are sold
16 in Canada.

17 Some time ago we made it very clear to the
18 government, when they were thinking of building a
19 compact car in Canada -- we were not sure then if
20 they were going to build it in Canada -- and we
21 couldn't get any satisfaction from the company, they
22 claimed they didn't know, and so we asked the
23 government to ask them, and it was shortly after
24 that that they announced that they were going to
25 build it in Canada; the car would be sold in Canada
26 and built in Canada.

27 Therefore, we want to make it very clear
28 that we don't mean free trade as such, and also
29 that the industry now is under the complete control of
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1 the United States, and that goes from their
2 important decisions on how they sell their automobiles
3 to the important decisions which they make in
4 collective bargaining.

5 In one instance, we quite frequently -- and
6 we are glad to do it -- we meet the representatives
7 over here from the United States management and
8 we think that that is an advantage; if the
9 authority is going to come from the United States,
10 then we want to meet the top guy and not deal by
11 remote control with people that have the say. You
12 know, there is an old saying that the people who
13 pay the piper call the tune, and this is really true
14 in the automobile industry; they are paying the
15 piper and they are going to call the tune from
16 over there.

17 As far as the parts industry is concerned
18 they are, I think, in probably an even worse
19 position than the major industry is in regard to
20 uncertainty of employment. Now, referring to one
21 particular plant near St. Catharines, a small parts
22 plant, this plant used to have 1,200 people in it
23 and they now have a couple of hundred and they are
24 controlled by the Americans, they have been taken
25 over by an American corporation, and when they take a
26 look at the Canadian market and note the fact that
27 there is so much percentage of it which has gone
28 for imports from Great Britain and the United States,
29 they are in the process of making a decision as to
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1 whether their volume now pays them to even operate
2 in Canada, so they may take their small volume that
3 they have in Canada and simply transfer it to the
4 plant in the United States and ship it over here.
5 That is an example. That story may be repeated in
6 dozens and dozens of instances throughout the country
7 where the volume has dropped and the small parts
8 plant, which is operating only as a subsidiary in
9 Canada of an American corporation, is now speculating
10 with the idea of going back to the United States or
11 moving the stuff back to the United States, and
12 this particular plant down near St. Catharines,
13 I don't know how many years it has been there, but I
14 do know that we have had a collective bargaining
15 agreement with the company since 1937, but it has
16 been there many, many more years than that and it
17 is operated as a parts plant and at one time they
18 had other interests as well.

19 So that those, Mr. Chairman, are the
20 reasons for the problems that we lay before you,
21 and those are some of the proposals which we make
22 which we think you should look into in trying to
23 solve our problems.

24 THE CHAIRMAN: Thank you, Mr. Burt. You
25 used the phrase that certain things do find favour
26 with me. I had to remind people yesterday that my
27 views were not really to be discovered by listening
28 to my examination; I shall make up my mind later,
29 and I probed in order to get views.
30



1 I think perhaps this might be reiterated
2 with regard to one particular item on which I
3 probed in each case about the excise tax, and this
4 might lead some people to believe that this was
5 already a decided recommendation. No such conclusion
6 should be drawn, particularly after you have given
7 such a splendid argument about the danger and the
8 especially good reasons for not doing it. It is
9 difficult to make sure that the consumer gets the
10 advantage.

11 MR. BURT: I think it could be done if the
12 government wanted to move on it.

13 THE CHAIRMAN: What are the guarantees that
14 you had in mind?

15 MR. BURT: Well, they do it, sir, with
16 respect to unemployment insurance; they seem to be
17 able to hire enough people to investigate every
18 single, solitary beneficiary under the Act to make
19 sure that he is not in some manner or shape or form
20 cheating on unemployment insurance. I am not sure
21 they could do that with a corporation.

22 THE CHAIRMAN: And the unions?

23 MR. BURT: And the unions.

24 THE CHAIRMAN: Isn't it going to be very
25 hard to decide whether they raise the cost or it is
26 in fact related or not related to the omission of
27 the excise tax; you only know it for six months,
28 really?

29 MR. BURT: Probably so, but the excise tax
30



1 in the first place is a luxury tax, and I think
2 that the people that have appeared before you have
3 intimated that, but I will not suggest that you
4 agree to anything now, but as far as the excise tax
5 is concerned it could be taken off and even if they
6 took it off, then the onus or responsibility before
7 the Canadian public would be on the industry to show
8 the public that they had reduced their price to the
9 extent of the excise tax.

10 THE CHAIRMAN: You have spoken a lot about
11 the pricing policy, and apparently Canadian firms
12 price on some mechanical basis of adding costs, but
13 would you think that the availability of imports at
14 particular prices has any effect on their pricing
15 policy?

16 MR. BURT: It doesn't seem to have any.
17 I would say at this moment, no. I think it should.

18 THE CHAIRMAN: Don't you think that they
19 are anxious to keep their sales?

20 MR. BURT: They should be.

21 THE CHAIRMAN: Don't you think they are?

22 MR. BURT: I think they are, but I don't
23 think they are going about it right.

24 THE CHAIRMAN: In other words, you could
25 make more money for General Motors..

26 MR. BURT: They have to decide between their
27 pocket book and their inclination to keep their
28 sales, and I would say that if the pocket book is going
29 to be swelled at a greater rate with less sales, they
30



1 will decide on the pocket book.

2 THE CHAIRMAN: Is it likely they make more
3 money by selling fewer cars?

4 MR. BURT: It is possible.

5 THE CHAIRMAN: Is it likely?

6 MR. BURT: It depends on the difference
7 in the volume and how you assess it. If the
8 difference in selling cars was 100,000 or 200,000,
9 and suppose you were an automobile manufacturer and
10 you decided on price and you said that you could
11 sell so many at that price and you have to make
12 these estimates, you will get the price. Of course,
13 prices can go low during the season, but that is not
14 a very good way of doing it. Once they set the
15 price, generally it stays there because otherwise
16 you wouldn't buy their products again if you bought
17 the same model at more money, and all this is a
18 matter of estimate on the part of the manufacturers.

19 THE CHAIRMAN: This would mean that the
20 importers would probably reduce their price by the
21 amount of the excise tax to give some assurance to
22 the domestic producers ...

23 MR. BURT: Of course, the government has
24 quite a control on that.

25 THE CHAIRMAN: No. If the government removed
26 the excise tax and if the Canadian industry didn't
27 reduce its price by that amount and the importers
28 did, I would think that the imports would gain another
29 few thousand sales, which I would think wouldn't be
30



1 awfully pleasant for the present domestic
2 manufacturers.

3 MR. BURT: We are not..

4 THE CHAIRMAN: But apparently price
5 doesn't matter?

6 MR. BURT: We are not particularly convinced
7 that Canadians are lowering their standard of
8 transportation because they want to. We are not
9 convinced that they think that a little wee four
10 cylinder car is as comfortable on Canadian roads
11 and especially travelling for hundreds of miles as
12 a little bigger automobile at a slightly higher
13 price. We are also not convinced that the auto-
14 mobile is not still a yardstick of respectability.
15 If you have a little one, you are not quite as
16 responsible as if you have a bigger one.

17 THE CHAIRMAN: I am very pleased to get
18 this rather different presentation. You see, I
19 have listened to Mr. Frost and I have listened to
20 the importers, and this is the first indication
21 that I have had that perhaps these imports are
22 inferior, and that really our Canadian cars are a
23 good product. This would be your view, that it is
24 just a matter of pride, and the people don't want a
25 cheap one.

26 MR. BURT: This has been our position for
27 many years and I think it is the position of the
28 auto workers; we claim that we can build a better
29 car than they can in the United States. That is
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1 to say, the Canadian counterpart of the American
2 product is better built in Canada than it is in the
3 United States. Now, I am not going to present proof
4 to you about that, but we do say our Canadian auto
5 workers turn out good cars.

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2 THE CHAIRMAN: I am happy to hear you say
3 that. I think we should look at the "Beaver".

4 We are back to this problem of a Canadian car.

5 MR. BURT: You are talking now about
6 an all-Canadian car?

7 THE CHAIRMAN: Yes, as you do in your
8 brief at one point.

9 MR. BURT: Yes.

10 THE CHAIRMAN: I have had one confidential
11 brief urging this in very strong terms. Now, what
12 I want to ask you first is: Why do you want a
13 Canadian car? Is it a problem of national pride,
14 or do you, like Mr. Gleave, simply want an austerity
15 car for the people of Canada?

16 MR. BURT: No, we do not believe that is
17 necessary. You could not have that, although the
18 Ford Motor Company sold a lot of cars when Mr. Henry
19 Ford said at one time: "You can have any colour
20 you want as long as it is black". At that time
21 people did not have the same selection to pick from,
22 and they had not gone through the years and years
23 of different colours, models and styles, and so on
24 and so forth where there has been a selection.
25 I think, probably, the suggestion that was made
26 that if we had one single austerity car nobody
27 would buy it anyway, is very true. I think that
28 is a very likely thing to happen.
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THE CHAIRMAN: Well, what is your Canadian car as distinct from that?

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MR. BURT: I think there is a little bit of sense in all things. I think right now the companies are turning out too many cars. They are changing the models too often. They do not have to do that, but at the same time I do think that Canadians want a certain amount of selection, and that should be judged on the basis of what Canadians are going to buy in the competition with imports.

12

THE CHAIRMAN: Can you suggest any way by which we could induce the producers to produce fewer models in Canada?

15

MR. BURT: If the Government of Canada asked people often enough -- the employers -- generally, for some reason or other, they do what is wanted. After all, the Government has a certain amount of authority.

20

THE CHAIRMAN: But, in any case this 100 per cent Canadian car is, for you, a matter for the future?

23

MR. BURT: I do not think it would be possible right now.

25

THE CHAIRMAN: Because of the cost?

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MR. BURT: Yes, because of the cost. We have an immediate problem. We have the problem that work should be done on a solution of this during the next couple of years, at least. It should start

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2 now, because it is serious, and to contemplate an
3 all-Canadian car at this moment as the ultimate --
4 well, let us throw in the briefs, and say: "What
5 we need here to meet European competition is a
6 single, solitary all-Canadian car". Why, even
7 the production problems of that car would not be
8 solved -- I don't know how long. If you are going
9 to combine the three companies -- well, we cannot
10 even get them together on a grievance, so I do not
11 know how you are going to get them together on
12 an automobile. You are going to have a job.
13 However, the all-Canadian car is a worthy objective,
14 not only because of national pride, but because
15 it eliminates all this other stuff. If we can
16 do it cheaper, then why cannot we do it here?

17 THE CHAIRMAN: If it can be done
18 cheaper why are we not doing it?

19 MR. BURT: Yes, that is it exactly. If
20 it is cheaper why are we not doing it? Of course,
21 we have not found out whether it is cheaper or not;
22 we do not know.

23 THE CHAIRMAN: This assumes that nobody
24 would take advantage of the possibility.

25 MR. BURT: Well, again, you see, right
26 now you have --

27 THE CHAIRMAN: Let us take one of your
28 problems. You referred to the automatic trans-
29 mission. My "Beaver" has to have automatic
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2 transmission.

3 MR. BURT: Yes, we say the automatic
4 transmission could be made in Canada.

5 THE CHAIRMAN: It could be made, but at
6 what price?

7 MR. BURT: I do not know, but we used to
8 make all the other standard transmissions. Why is
9 there something mysterious about an automatic
10 transmission?

11 THE CHAIRMAN: I gather it has to be made
12 in rather larger quantities in order to justify the
13 tooling.

14 MR. BURT: To start off, they do not
15 even put them together. They could start off and
16 gradually work up to that point, if you want an
17 all-Canadian car. Now, that is one of the problems
18 you are going to come up against, and not only in
19 regard to automatic transmissions. You will find
20 it necessary to tool for 101 different things,
21 and it would take months and months. Our proposal
22 is that down the road this thing should be explored.

23 THE CHAIRMAN: What about the other line
24 which I have been exploring, that so many believe
25 in -- the various forms of integration? You
26 have made a proposal. Yours is one that involves,
27 I take it, free movement of parts and vehicles
28 across the border as long as employment is maintained
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2 at current levels in Canada?

3 MR. BURT: We say you should start off
4 with that. In this general brief we have made the
5 proposal which, we say, if put into effect, would
6 mean tremendously increased sales to an extent
7 where the unemployed auto worker would be absorbed,
8 and if that took place -- if we could lower our
9 prices so that we sell more cars in Canada to that
10 extent, and these other problems are all hooked
11 up -- it would mean all our auto workers would be
12 back at work.

13 THE CHAIRMAN: I think you have used
14 the phrase "employment should be maintained at
15 current levels". Now, this needs interpretation.
16 Do you mean at the level it should be, and not
17 at the level it is?

18 MR. BURT: Yes, the level it should be;
19 not the present level. The present level is a low
20 level.

21 THE CHAIRMAN: Does it follow from this
22 that you have also in mind not only the maintenance
23 of the aggregate employment but the maintenance
24 of employment of people in their present jobs?
25 Suppose that the form of integration involved a
26 shuffling of jobs; suppose it involved as many
27 people being employed, but not in the same jobs?

28 MR. BURT: Do you mean not in the same
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2 plant, or a shuffling of the plants?

3 THE CHAIRMAN: Either, or both?

4 MR. BURT: We would be rather hesitant
5 about any more dislocation. We have enough
6 problems with respect to that now although we realize
7 that with our proposal there would probably come
8 a certain amount of it.

9 MR. COBURN: We have suggested in our
10 brief that measures should be taken to protect the
11 people whose jobs may be shuffled as a result of
12 this.

13 THE CHAIRMAN: I would like to press you
14 a little further on that. "Protect them" could
15 mean to make sure that the employment in those
16 jobs is maintained, but it could mean doing some
17 things in the way of compensation and rehabilitation
18 and so on. Which of these do you mean?

19 MR. BURT: The latter.

20 THE CHAIRMAN: In my discussions with the
21 UAW some years ago I learned that mobility, which I
22 might say was a dirty word to them --

23 MR. BURT: Do you like changing jobs
24 from place to place?

25 THE CHAIRMAN: I do not think we can
26 run a guarantee on the assumption that nobody is
27 ever going to change his job. As technologies
28 change, and as costs change, we are going to have
29 to re-shuffle the working force. I wonder how much
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2 resistance there is to this.

3 MR. BURT: Maybe we are talking about
4 two different things. Are you talking about dis-
5 location in the sense where a number of people would
6 be unemployed in this area and that would double the
7 number of people employed in another area, or do
8 you mean just in the company itself? If I am
9 an assembler well, now, I have got to learn to be
10 a welder -- is that what you mean? Which sort of
11 dislocation are you talking about?

12 THE CHAIRMAN: Suppose we went into
13 some form of integration; surely, there would be
14 some parts manufacturers who would then boom and
15 some parts manufacturers who would be badly hit.
16 The aggregate employment might very greatly increase,
17 but there would have to ^{be} movement from trade to
18 trade, and from employer to employer. I wonder
19 whether this involves worries to you; whether you
20 feel we have got to seek solutions that make such
21 dislocation unnecessary?

22 MR. BURT: That is true. We realize that
23 our proposal would cause that, but even now we have
24 similar dislocations. For example, in the largest
25 plants a company this week can be making, say,
26 parts for the United States, as one company has
27 done. They can suddenly cease doing it. There
28 is no regulation about it. We cannot complain
29
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1 about it. It is not in our agreement. It is
2 not collective bargaining. We can only beef about
3 it.

4 Take, for example, one big company which
5 in the last 10 years made a certain part, and then
6 they said: "This year we are not going to do that
7 any more". I have an instance of that happening
8 only about three or four weeks ago where we were
9 getting in ballbearings from the United States --
10 hundreds of thousands of balls for ball races.
11 Well, they changed. It is true that another contract
12 was given to another plant in Canada not very far
13 away, but nevertheless there was considerable dis-
14 location in that particular department where they
15 had been making bearings for 30 years, and yet
16 they suddenly decided not to make them any more.

17 We say in our brief that if there is that
18 kind of dislocation as a result of our proposal it
19 should be controlled. I see nothing wrong with
20 that.

21 We have another case right now where a
22 company builds a plant in another place. Workers
23 had come from one or two centres into a central
24 parts plant. This company had supplied work at
25 this particular parts plant, and right beside the
26 big company. The big company decided they were
27 going to do that work in another town. After
28 this year's production
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2 all of that little plant will be out of work. We
3 have no agreement with the company that says that it
4 has to hire those people from the parts plant --
5 it is an entirely different company -- and put them
6 in that other town. They will not agree with that.
7 We have approached them, and they say: "No, we will
8 not agree with that". We believe that the problem
9 involved in the moving around of plants is a
10 serious one.

11 Mind you, in Great Britain -- I am sure
12 it started with the Labour Government, but it is
13 being carried on by the present Government -- they
14 have some legislation dealing with that kind of
15 thing where they not only encourage the employer
16 to locate in a place where there are pockets of
17 serious unemployment, but they also use some
18 influence in order to direct them in what they
19 should do, and at the same time not encroaching
20 on those very holy prerogatives of private enter-
21 prise which are somewhat a little bit ragged this
22 morning. It seems to me that if Britain can do
23 that with a population which is several times as
24 great as that of Canada then it should present no
25 particular problem here in doing it by legislation,
26 not only to stop dislocation as a result of our
27 integration proposals, but to stop this dis-
28 location and uprooting of people's lives by
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2 companies in a case where the company is not being
3 hurt economically.

4 THE CHAIRMAN: I am pressing a little be-
5 cause I want to make clear which -- it seems to me
6 there are two lines that have to be sorted out.
7 I think I have got you identified, but I am not
8 quite sure. One group would say that these
9 dislocations are so terrible that we must avoid dis-
10 location, and the other group would say that we have
11 got to have sufficient flexibility to live in a
12 competitive world, and there has to be dislocation,
13 and that we must then make sure that the social
14 advantage which results from the dislocation is not
15 at the sole, or almost sole, expense of the few
16 who are dislocated, and that, therefore, there
17 must be some form of compensation control to
18 reduce the impact of that burden on the few who
19 are concerned?

20 MR. BURT: Yes.

21 THE CHAIRMAN: That is the line that you
22 are arguing?

23 MR. BURT: That is right.

24 THE CHAIRMAN: In other words, you are
25 not freezing the employment pattern?

26 MR. BURT: No, not particularly.

27 THE CHAIRMAN: Have you considered the
28 possibility of an integration with a slightly
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1 different guarantee, which is the one I have been
2 exploring a bit with a number of companies, where
3 instead of saying that employment must be maintained
4 we say, rather, that the total value of production
5 in Canada must equal the total value of the sales.
6 In a sense, it is saying: "We will go for 100
7 per cent content, but we will count as Canadian
8 content the Canadian wheel on the car that the
9 United States produces for the United States market,
10 or even for its export markets. We do not mind
11 where the Canadian wheel, let us say, arises as
12 long as it is a Canadian wheel and we have all our
13 share of the continental production". Have you
14 thought at all about that formula?
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1 MR. BURT: Yes, we have. That is a very,
2 very worthy objective, and I doubt it is possible of
3 achievement now. But you are talking about a sort
4 of dollar-for-dollar business on sales. We did
5 have that idea.

6 THE CHAIRMAN: How is not possible?

7 MR. BURT: Well, I think it would be all
8 right with us because it would double -- just about
9 double -- the employment in Canada if that was put
10 into effect.

11 MR. COBURN: If I might add something to that,
12 I think the reason it would probably be impossible
13 now is that, after all, to be fully effective you
14 would have to have something negotiated between
15 Canada and the United States .

16 THE CHAIRMAN: No; the proposal I have
17 been examining is one that doesn't require the
18 elimination of the United States tariff.

19 MR. COBURN: The effect, then, is that it
20 may not be sufficiently attractive to the company
21 if they have to produce a substantial volume of
22 production in Canada and lift it over this tariff
23 barrier in the United States.

24 THE CHAIRMAN:
25 Even although they got free entry of finished
26 cars into Canada?

27 MR. COBURN: Well, I haven't examined the
28 idea in detail. It seems to me there is a danger
29 that they would not consider it sufficiently attractive.

30 THE CHAIRMAN: This is what I have got to explore,



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and various companies are exploring it for me.

1 I would be most grateful if your research department
2 would make a study of this as to whether they
3 consider it possible. I also wonder what your --
4 I call them 'parent companies'; can I call it "your
5 parent union"? -- what would the U.A.W. in the
6 United States think of such a proposal? If it
7 doubled employment in Canada they might be rather
8 worried, might they not?

9 MR. COBURN: If it did at the sacrifice
10 of the jobs of American workers certainly the
11 American members of our union would be worried about
12 that.

13 Quite frankly, our first concern has been
14 to find a means of expanding employment in Canada
15 by making it possible to cut production costs and
16 prices by this method of switching back and forth
17 across the border rather than just to shift jobs
18 from one country to the other, because that is not
19 the real solution at all.

20 THE CHAIRMAN: This proposal I am now
21 talking about would not involve the shifting of
22 jobs.

23 MR. COBURN: I think it would mean the
24 shifting of employment opportunities.

25 THE CHAIRMAN: In what sense?

26 MR. COBURN: In the sense that a good deal of
27 the production that is now done in the United States
28 for Canada would be transferred to Canada.
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1 THE CHAIRMAN: A great deal that is now done
2 in Canada would be transferred to the United States.

3 MR. COBURN: Yes. I think that there
4 would be fewer employment opportunities in the
5 United States if you made a sudden transition to
6 the dollar basis.

7 THE CHAIRMAN: This might be 100 per cent;
8 yet you are prepared to submit 75 per cent with no
9 such integration possibility. I was wondering whether
10 100 per cent wasn't really rather generous and we
11 should say 125 per cent.

12 MR. BURT: We are saying..

13 THE CHAIRMAN: At 1980?

14 MR. BURT: We didn't say 1980.

15 THE CHAIRMAN: And I regard this formula
16 as one for action this year.

17 MR. BURT: I think that American workers
18 have had Canadian jobs long enough. We sell the
19 cars in Canada and they have a tremendous advantage.
20 I checked with President Reuther as to the proposal
21 on integration. He has to be more or less neutral
22 on a proposal which would take from one country
23 and give it to the other. We are not concerned with
24 taking jobs away from American workers if we can
25 help it, but the proposals in our brief, if they
26 could be put into effect, would increase production
27 and would help our laid-off members.

28 THE CHAIRMAN: I hope when you do discuss
29 this with your research department and with Mr. Reuther
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1 you will remember that this promises lower-priced
2 automobiles in Canada and, therefore, increased sales.

3 MR. BURT: Yes.

4 THE CHAIRMAN: This has got a lot of very
5 exciting features. They may be completely impossible,
6 but let us explore them.

7 I mustn't keep you much longer, but on
8 the tariff on parts, suppose we don't go into
9 this integration -- or, perhaps, even if we do --
10 you have urged re-examination of the tariff. I might
11 ask if you would let me have a copy of the students'
12 study. It might have some useful suggestions for
13 me.

14 MR. BURT: Sure; I will send you one.

15 THE CHAIRMAN: But have you any proposal as
16 to the form of the change in the tariff structure?
17 For instance, have you views about the present
18 'free' or 'class or kind not made in Canada'?
19 Have you views about the possibility of getting all
20 parts dutiable and then requiring the companies to
21 seek inclusion on the free list of particular items
22 from time to time?

23 MR. BURT: I think we have. It seems to us
24 that there have been things done by the companies
25 at the expense of Canada. As to parts not made here --
26 which we are perfectly willing and able to do --
27 they can import these duty free. For example, not
28 long ago -- this is about lawnmower motors, which is
29 something rather distinct from the automobile industry,
30



1 but it does make my point -- I think there were
2 100,000 or more lawnmowers imported into Canada every
3 year. There are two companies at least who mainly
4 import, and they have an agreement not to manufacture
5 in Canada, although from what I hear they claim that
6 a lawnmower of this kind of volume could be made in
7 Canada almost as cheaply as it can in the United
8 States.

9 There may be a desire on the part of the
10 automobile manufacturers to import rather than make
11 in Canada, even although the price is about the same.
12 We have heard, without any verification, that even
13 if the cost has a penny of a difference they will get
14 it made in the United States; but when you multiply
15 a penny by production it is a considerable saving.

16 We think that the customs regulations are
17 complicated -- and I am not an authority on them --
18 but we say that those kind of controls should be
19 taken into consideration so far as the "free of
20 duty" imports are concerned.

21 THE CHAIRMAN: Well, that is all I want
22 from you, Mr. Burt, thank you very much.

23 MR. BURT: I want to thank you for the
24 hearing and the opportunity to present our views
25 here.

26 THE CHAIRMAN: I shall probably be seeking
27 your views further in private, Mr. Burt.

28 MR. BURT: Thank you.

29 THE CHAIRMAN: Mr. Brooks, on behalf of
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Local 444 of the U.A.W.

SUBMISSION OF LOCAL 444, U.A.W.-AFL-CIO

Present: Mr. Charles Brooks,
President, Local 444.

Mr. John McArthur,
Political Action Chairman of
Local 444.

THE CHAIRMAN: Yes, Mr. Brooks.

MR. BROOKS: Professor Bladen, I have heard your suggestions to the persons making representations and I think that, in line with that, we would like to make a brief comment on the recommendations which we have attached to our brief. We have attached seven recommendations.

I might say that in the plant in which I have been employed for the past 23 years we had a peak employment roll in 1955 of 8,800 employees, and we now have a peak employment roll of approximately 3,400; those aren't production employees, of course. So, naturally, our concern with the investigation into the auto industry prompts us to be here today not entirely in a different view from our own international union but on certain phases of it, and we are certainly opposed to some of the recommendations that may be made; and, as you said at the outset, you want the differences of opinion of the various people, of groups of people, throughout the country. That is what we propose to try and do.

I think, first of all, we have to recognize the problem in the automobile industry here in Canada and what has brought it about. I think that the investments of the American automobile companies in



1 the United States have been largely in the United
2 States and in their European plants and very little,
3 particularly in the manufacturing aspect, in the
4 Canadian plants; in fact, I think the figure is close
5 to \$16 billion in new plants and facilities in the
6 United States since World War II and \$10 billion in
7 European plants, and nothing of the sort has been
8 taking place in Canada.

9 We are asking, in our first recommendation,
10 that they raise the content of Canadian-made cars
11 to at least 75 per cent. We think that that can be
12 done almost immediately in several ways. We feel
13 that the present loopholes in the law encourage the
14 automobile companies to discontinue the manufacture
15 of parts in Canada, particularly as a result of
16 automation in the United States. Instead of saying
17 that if a part is not made in Canada it comes in
18 duty free the legislation should consider whether or
19 not it can be made, and if it can be made then it
20 should be made here, without raising its tariff or
21 duty; because I do not feel that any amount of tariff
22 is going to have the effect of encouraging them to
23 build a part in Canada simply because of automation,
24 in which Canada just receives the left-over parts;
25 where production of the U.S. would warrant these
26 companies voluntarily making these parts in Canada.

27 We have suggested that the government initiate
28 the establishment of crown companies as a measure
29 directed towards that goal of producing a 100 per cent
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1 all Canadian car.

2 I have heard the question that was asked
3 of Mr. Burt about what he thinks the Canadian car
4 should be, and we are not talking about a "Beaver."

5 THE CHAIRMAN: "Desire"?

6 MR. BROOKS: A rose by any other name
7 wouldn't make any difference to us; but when we
8 refer to "an all-Canadian car" we are referring to
9 the eventual content of the Canadian car, whether it
10 be Ford, or Chevrolet, or Plymouth, being 100 per cent
11 made of Canadian materials and of Canadian labour.
12 This is quite feasible. To give you an example --
13 and perhaps you will be asking me some questions on
14 these things -- transmissions: This is the type of
15 thing that the individual automotive companies won't
16 voluntarily invest in, but the government could
17 initiate such a company that would produce transmissions
18 for all of them, in the form of a crown company --
19 put it on its feet -- and then make it available
20 to anyone. Private capital won't risk such a venture,
21 particularly in view of the fact that it deals with
22 the huge automobile firms from the United States.
23 We feel that with this kind of program we can make
24 the transmissions in Canada.

25 I have just brought along a little example
26 of what was done in Polymer, and perhaps I should
27 give you this. This shows tires that are made in
28 Canada by a crown company -- the Polymer Corporation --
29 selling at less money than the tires made in the United
30



1 States today in spite of the high volume, you
2 might say, or the argument of high volume.

3 On the removal of ~~the~~ excise tax, and to
4 ensure that this should be passed on to the public,
5 everybody is in favour of removing the excise tax,
6 I believe.

7 THE CHAIRMAN: Except Mr. Frost. He
8 wouldn't commit himself.

9 MR. BROOKS: I can understand that. He
10 might get "defrosted"! From a political point of
11 view, I mean by that.

12 I don't know of any reason why we should
13 take the tax off the higher-priced cars, because
14 the basic argument is that this excise tax should
15 come off those automobiles which are a luxury.
16 I feel that the excise should come off cars under
17 \$3,000 or less. Certainly, the man who drives a
18 Cadillac can afford to pay the excise tax. He
19 will get it back off his income tax anyway.

20 THE CHAIRMAN: Quite a lot of people might
21 like to know how.

22 MR. BROOKS: There are about 4,050 ways
23 which they are more familiar with -- and they
24 hire legal firms to do it -- than I am.

25 We make the recommendation that there
26 should be an excess profits tax, or a profits tax
27 law in our land that, when automobile companies
28 would make public their financial operations,
29 particularly in Canada, then the government could have
30



1 a proper view in fixing prices. Prices are determined
2 today by what the market will bear, rather than
3 many of the other arguments that may be advanced
4 as to why they could, or should. They politely tell
5 us, in collective bargaining, to go to the hot
6 place when we want to go into their financial
7 records, and they make no bones about telling us
8 that they will charge what they want for their
9 products. That may be all right for the firm,
10 but when it becomes detrimental to the nation it is
11 the government's business to look into it.

12 We also recommend that the benefits accruing
13 from automation and technological improvements
14 should be passed on and shared by the employees as
15 well as the public. One of the things we want to
16 ensure, when we talk about making a lower-priced
17 car for the Canadian people -- which we think we can
18 do -- is that we should do it without lowering the
19 living standards. We think that that has to be
20 taken into consideration, also.

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We refer to the runaway plants you have heard about, and we do not have any wage law in this country that would discourage this practice nor take care of the people.

Perhaps lastly, and of greatest importance is the fundamental reappraisal by the Canadian Government of all the basic problems involved in this nation's connection with the United States and the freeing of our country from economic and political domination, lessening unemployment and ensuring the full freedom of Canada to conduct unhindered trade with all nations. We feel, considering this from the auto industry as well as other industries, that we are not going to get too far down the road in so far as developing this country is concerned, and the use of its natural resources.

I don't profess -- I wouldn't dare -- to be an expert in economics, particularly with your experience, sir, but certainly we cannot ignore the experts that we do have. They are pointing out the danger, and I am quite sure you have read Mr. Coyne's recent publication in the Financial Post.

THE CHAIRMAN: Would it shock you to know that I haven't?



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3 MR. BROOKS: Frankly, it wouldn't, professor,
4 because I imagine that anybody who is assigned the
5 task that you have is going to have an awful lot of
6 homework to catch up on when he is finished. But
7 you do know of other economists who have done a great
8 deal of work in this field, and I am sure you are
9 quite familiar with them, and particularly with
10 Mr. Walter L. Gordon, Chairman of the Gordon Com-
11 mission in 1955. However, it is more pronounced to-
12 day than it has been in the past, and I think it
13 can be summed up in the text of Mr. Coyne's remarks:

14 "... we are now at one more of the
15 critical cross-roads in our history,
16 perhaps the most critical of all, when
17 economic developments and pre-occupation
18 with economic doctrines of an earlier
19 day are pushing us down the road that
20 leads to loss of any effective power to
21 be masters in our own household and
22 ultimate absorption in and by another.
23 The fact that the modern word for 'absorption'
24 is 'integration' or even 'economic
25 integration' does not alter the essential
26 nature of the result."

27
28 If you haven't a copy of Mr. Coyne's
29 address, we will give you one, because he goes on to
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2 a large extent.

3 We feel that since the war, ever since
4 the war, our Government has been spending over a
5 billion dollars a year in defence of our nation,
6 and we are not going to quarrel with the merits
7 of this. But we feel that they have the capabilities
8 and they can assist the automobile industry in
9 Canada in a manner similar to which we now put
10 machines into plants and supply them with blueprints
11 and turn out the products that the Government
12 requires. We feel that the program of integration
13 at the outset sounds like a logical program, and I
14 have listened to some of your remarks, and I should
15 say quite seriously that this may be a step in the
16 right direction, but when you examine it much
17 closer and as close as our economists have, then we
18 find that it would fatal to our nation to get into
19 this kind of a program. Mr. Coyne says:

20
21 "The process of the growth of foreign
22 domination in Canada has gone on for so
23 long that perhaps we have become blind
24 to it; we either take it for granted or
25 we fail to realize what proportions it has
26 assumed. No other country would, in
27 relation to its own affairs, have regarded
28 such economic dependence as desirable.
29 And whatever benefits it may have conferred
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2 "in the past, the danger now exists that
3 it may produce stagnation and a falling
4 back in the parade of modern progress for
5 Canada and for the people of Canada."
6

7 Now, the Abbott of the Plan, which we
8 refer to in our brief, which was put into effect by
9 our Government in 1947 and which --

10 THE CHAIRMAN: This is the infamous
11 Abbott Plan? I am interested in what it is.
12 I have never heard of it.

13 MR. BROOKS: It has had an effect on our
14 economy to this extent. In Hansard on March 18,
15 1948, if you want to look in the reference, you
16 may see there the remarks of the Finance Minister
17 as to the purpose of this plan, and when we
18 started with this plan we were doing about a third
19 of our business with the United States --

20 THE CHAIRMAN: What year was this?

21 MR. BROOKS: It is March 18, 1948 -- we
22 were doing one-third of our business with the United
23 States and two-thirds with the rest of the world.
24 Since that Plan we are now doing two-thirds with
25 the United States and one-third with the rest of the
26 world. This is what has happened so long as this
27 Plan -- I don't say solely, but since this plan
28 has been in effect.

29 THE CHAIRMAN: What is the plan?
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3 MR. McARTHUR: The Plan that was originally
4 in the speech which the Minister of Finance made in
5 1947 in which he stated at that time that there
6 was a need for re-evaluation in the economic
7 policy; and at that time he made the request --
8 or the line put forward was to the effect for a
9 closer integration of the United States and Canadian
10 economies, and the consequences of that plan -- we
11 point out some of the consequences here -- the
12 overall consequences are the investment of United
13 States capital in Canada and so on.

14 THE CHAIRMAN: What regulations resulted?
15 There may be such a plan. I am trying to find my
16 way. I have been listening to people and talking
17 with people, and for the first time I find in my
18 documents a reference to the infamous plan, and
19 it seems to me to be rather extraordinary that
20 I should never have heard of this plan.

21 MR. BROOKS: Let's say there was a state-
22 ment of policy, and it was known as the Abbott
23 Plan.

24 MR. McARTHUR: It was publicized at that
25 time as the Abbott Plan.

26 MR. BROOKS: I suggest you refer to
27 Hansard of that date and you will there find the
28 questions and answers by the Government for establishing
29 such a plan.
30



Once again Mr. Coyne makes reference --

THE CHAIRMAN: Does he refer to the
Abbott Plan?

MR. BROOKS: He doesn't refer to it as
the Abbott Plan, he refers to it -- anyway, he
refers to it in his text as the policies which
have led us into the particular situation in which
we now are, and we find Canadian manufacturing
industry disappearing and Canada shipping raw material
as its main export and importing finished goods, so
that the imbalance in trade with the United States
is in finished goods, which, of course, is much
greater than what we ship to them. This is true
not only of the automobile industry.

THE CHAIRMAN: Might we have also, by
such a plan of integration, reduce that imbalance?
We would be importing finished parts and possibly
exporting finished cars.

MR. BROOKS: I was trying to quote an
example. Unless you wanted to supply the whole
world with automobile wheels, I don't see how such
a program would be at all feasible for a country
of our size, supplying the entire American continent.
They produce approximately 5million automobiles,
and if we have a wheel factory in Canada trying
to supply wheels --

THE CHAIRMAN: I wouldn't suggest we



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2 supply all the world's wheels any more than we
3 supply all the world's wheat. Wouldn't it be
4 rather comfortable to be producing wheels for
5 a North American market rather than a Canadian
6 market? Wouldn't this change the degree of
7 utilization of the plant in Windsor?

8 MR. BROOKS: We would do this only
9 at the peril of the economic independence of this
10 nation.

11 THE CHAIRMAN: There is some bogey --
12 I shouldn't say bogey -- the suggestion is that
13 even though we were more prosperous, even though
14 we were wealthier as a result of such integration,
15 it would be, nevertheless, something to be resisted,
16 because we would have sacrificed our independence.

17 MR. BROOKS: Sacrificed some independence?
18 I think it is in that category today, that the
19 economic independence of a country is tied up with
20 political independence.

21 THE CHAIRMAN: Do you think that a wealthy
22 country is more able to take an independent line
23 than a poorer country? It has been suggested to
24 me in another place that a prosperous Canada is
25 more likely to be an independent Canada than a
26 poor Canada.

27 MR. BROOKS: It is more likely to be an
28 independent country, yes, but I am only thinking
29 now --
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THE CHAIRMAN: But suppose the weight of this prosperity is put into the commitments to the American market, which is the worst threat.

MR. BROOKS: Frankly, I don't see the relationship of a threat other than the fact that the nation is able to stand on its own two feet. The integration wouldn't necessarily lower the price of an automobile. In fact, if you will examine what happened with \$500 million-worth of parts coming into our nation today, what has happened to the price of the automobile? It has gone down.

THE CHAIRMAN: Couldn't we bring it down if we were producing parts in larger quantities?

MR. BROOKS: This has no effect on the price.

THE CHAIRMAN: Cost has no relation to price?

MR. BROOKS: No sir; they charge what the market will bear, and this is exemplified in the fact that they are getting \$50 million-worth of parts from the high volume production lines of the United States and the price of the car in Canada has continued to rise.

THE CHAIRMAN: But suppose they didn't have to put in 60 per cent Canadian content and had no tariff?

MR. BROOKS: This would be no assurance to



the Canadian people that they would get a cheaper car.

THE CHAIRMAN: You amaze me.

MR. BROOKS: Well, I feel that I am going by experience.

THE CHAIRMAN: I have taken notice of this.

MR. BROOKS: I will give you an example. I believe in 1958 the Ford Motor Company of Canada, which has now been taken over by the Ford Motor Company of the United States recently --

THE CHAIRMAN: Taken over by?

MR. BROOKS: Well, the American parent firm bought out a majority of the stock.

THE CHAIRMAN: That is different from taking over.

MR. BROOKS: Yes. Perhaps I put that in strong terms, but I should say they bought out a controlling interest of the stock. And now, that firm published a Canadian statement and it showed that in 1958 -- and this is on 16 per cent less sales -- that they made 20 per cent more profit. And now, those figures are from memory, but they can be found in the financial statement of the Ford Motor Company, and it could be that it was 20 per cent less sales and 16 per cent more profit, but nevertheless at that time the U.A.W. was asking



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3 for a \$100 price reduction both in the United States
4 and Canada, and the corporations politely told us
5 where to go. We couldn't negotiate a price
6 reduction for the people no matter what our proposal
7 was, and basically the philosophy of the corporation
8 is that they will charge what the market will
9 bear.

10 THE CHAIRMAN: You are "agin" integration,
11 but you want a cheaper car and you want immediately
12 75 per cent Canadian content?

13 MR. BROOKS: Yes.

14 THE CHAIRMAN: Do you really think we
15 can increase the Canadian content immediately and
16 still have a cheaper car?

17 MR. BROOKS: Yes.

18 THE CHAIRMAN: How?

19 MR. BROOKS: By merely giving the work to
20 the parts suppliers that now exist in Canada, by
21 giving it to those people, because it is a fact
22 that those people have been producing parts for the
23 automobiles, and you take the motor products --

24 THE CHAIRMAN: At a price.

25 MR. BROOKS: Yes, at a price. Now, the
26 motor products plant went out of business and there
27 were 1,400 people on the street. This was a
28 subsidiary plant from the United States that also
29 closed, and Canadian and British capital tried to
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3resurrect this plant but they couldn't do it on
4their own, so that if the Government here had helped
5that plant to establish itself it could produce
6the parts for the Canadian automobile industry, and
7I say just as reasonably and just as cheaply.

8

THE CHAIRMAN: If it could do it as
9cheaply, why isn't somebody doing it? It is assumed
10that somehow people can produce things cheaply,
11but they don't. There are a lot of active business-
12men looking for profit, but do you not really mean
13that people can make these things and ought to be
14allowed to make the things and if necessary they
15should be given such protection that they will be
16able to, or give them a subsidy in order that they
17will be able to?

18

MR. BROOKS: No sir. Let me give you
19another example. The Massey Harris firm is a
20Canadian firm that has integrated its production with
21a United States firm, and at the time that it in-
22tegrated its production it laid off approximately
232,500 workers in its Racine plant. Now, Canadian
24integration by American firms would have the reverse
25effect.

26What happened to the agricultural implement
27industry in Canada? Isn't it a fact that the
28Government now has a Royal Commission investigating
29the prices in the agriculture implement industry in

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3 Canada, and here is an integrated industry.

4 THE CHAIRMAN: Not that I know of.

5 MR. BROOKS: Well, I am told that there
6 is such a Commission now being conducted into the
7 prices, and this is an integrated industry and it is
8 a Canadian firm..

9 THE CHAIRMAN: It is not based on the form
10 of integration that we have been discussing. It
11 is simply not based on free trade between the two
12 countries.

13 MR. BROOKS: But they integrated --

14 THE CHAIRMAN: Of course they would.

15 MR. BROOKS: Merely on not having any
16 tariff walls and they brought the industry to
17 Toronto and left the tractor industry in Wisconsin,
18 and we now have an investigation into the price
19 of these products.

20 THE CHAIRMAN: Not by a Royal Commission.

21 MR. BROOKS: I may be wrong, and I stand
22 corrected. That was my information.

23 THE CHAIRMAN: I think it is a House of
24 Commons committee, but in any case we are discussing
25 entirely two different things; the proposal made
26 by the other part of the U.A.W., and the proposal
27 which I was discussing before which involves an
28 integration on the basis of guarantees as to the
29 distribution of jobs as between the two countries
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3 which did not exist.

4 MR. BROOKS: If we can put these guarantees
5 into effect and get industry to go along with us,
6 certainly then the Government can set up an inde-
7 pendent industry in this country in the same kind
8 of situation.

9 THE CHAIRMAN: The Government can?

10 MR. BROOKS: We have no illusions that
11 we will convince the Conservative portion of Canada
12 that they should go into any program of national-
13 ization.

14 THE CHAIRMAN: That shows a sense of
15 realism!

16 MR. BROOKS: But we do feel that the
17 Government --

18 THE CHAIRMAN: You are taking me right
19 away from the question which I am asking you. We
20 were discussing integration and you were telling me
21 about the Massey-Ferguson case, which led to all
22 sorts of dreadful things, and I asked you to discuss
23 the matter of guarantees and the matter of a Crown
24 corporation. What is the relevance of that?
25 Why not consider what would happen within a Crown
26 corporation. Are you concerned about this inte-
27 gration because of the nationalization. Do you
28 believe it is possible that there would be no
29 economies or bargaining to weaken it, or do you
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3 say yes, we go along with adequate guarantees.

4 MR. BROOKS: I wouldn't be prepared to
5 go into a poker game with \$5 if the other guy had
6 \$50,000.

7 THE CHAIRMAN: So, you wouldn't go into
8 it under any conditions?

9 MR. BROOKS: I submit that we are now
10 integrated and have been for a long time.

11 THE CHAIRMAN: That is not the question;
12 the question is whether any change in these relation-
13 ships which would lead to production sharing so that
14 instead of us trying to do the whole thing in
15 Canada, we would try to do part of it for the whole
16 continent, and that this is something which you
17 can't contemplate with equanimity.

18 MR. BROOKS: We can't; it is impossible.
19 Now, take the Cuban situation --

20 THE CHAIRMAN: I don't want to take
21 the Cuban situation. I hope we are not going to get
22 into quite such a condition.

23 MR. BROOKS: These things are inseparable.

24 THE CHAIRMAN: How do you relate it to the
25 Cuban situation?

26 MR. BROOKS: I will give you an example.

27 THE CHAIRMAN: Are you afraid of the
28 United States confiscating the Canadian plants in the
29 United States or of confiscating American plants in
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3 Canada?

4 MR. BROOKS: None whatsoever.

5 THE CHAIRMAN: Let us forget about Cuba
6 for a moment.

7 MR. BROOKS: If you are going to consider
8 the question of integration in all of its ramifications,
9 I don't think we can ignore the fact that we have
10 been for many years vetoed in this country because
11 of the domination of American plants, American firms.

12 Now, the most recent situation which I
13 referred to is in the sugar country down South --
14 I won't mention any names -- and here again the
15 Canadian Government has said, "We will supply you"
16 and the Government also said, "We will not look
17 kindly upon this". Now, the Chrysler Corporation
18 said 10 years ago, "We will sell our commodity to
19 any country in the world, but we haven't done it."
20 If you get into a program of integration and you
21 sacrifice the independence that you would have in
22 your own automobile industry which could increase
23 the volume -- because our country isn't always
24 going to stay in a stage of 18 million people --
25 then we have to start to expand our own industry
26 without regard to sharing production with the North
27 American continent.

28 THE CHAIRMAN: You want a Crown cor-
29 poration not only to make the car called "Desire",
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3 I take it, but also to make automobile transmissions.
4 Let us take the automobile transmissions first.
5 Will it make one transmission and require all
6 Canadian-made cars to use it?

7 MR. BROOKS: Not necessarily.

8 THE CHAIRMAN: It will make several?

9 MR. BROOKS: This may not be an engineering
10 possibility, but again it may. If you bought parts
11 around the country you would find very little
12 difference in price for the various automobiles,
13 or with slight deviation. It is quite possible
14 this could be done.

15 THE CHAIRMAN: It is one automobile
16 transmission for all of us, or it is several. Now,
17 if it is one, you impose some serious problems, I
18 understand, on engine design, and so on, but if
19 you have several you break down the volume. Now,
20 suppose one is adequate; is there any reason to
21 believe that even the Canadian market for one
22 single transmission and on which we would have to
23 pay enormously high tariff, would stop the others
24 coming in?

25 MR. BROOKS: No tariffs at all.

26 THE CHAIRMAN: Why would that --

27 MR. BROOKS: Just don't let them in.

28 THE CHAIRMAN: Give them a 100 per cent
29 tariff.
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3 MR. BROOKS: Yes, a 100 per cent tariff.
4 Mexico has done it, Brazil, Australia and Venezuela
5 have done it. We could name you hundreds of
6 countries where they are doing it.

7 THE CHAIRMAN: I know you can.

8 MR. BROOKS: The tariff only rates the
9 commodity to the public, and we are opposed to that.

10 THE CHAIRMAN: Don't you realize that
11 keeping the cheap thing out is what raises the
12 price to the public, and you are going to keep the
13 cheap transmission out and then you will have one
14 made at an enormous cost in a Crown corporation.

15 MR. BROOKS: Well, I don't think I --

16 THE CHAIRMAN: How will that give my
17 farmer friend a cheap car to drive on the Prairie?

18 MR. BROOKS: I will give you an example
19 with the tires; I know of no reason why the same
20 thing wouldn't work with transmissions, and don't
21 overlook the fact that the people who would be
22 employed in the industry would be paying taxes to
23 the Government instead of the other people paying
24 taxes to keep a half a million of them unemployed.

25 THE CHAIRMAN: I have been making
26 some examination of your rubber case; I haven't
27 got a rubber expert with me and I don't think that
28 we will go into the detail on this. I will deal
29 with that at home. All I can say is that it is
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3 not really quite as convincing as you made
4 it sound.

5 MR. BROOKS: Within 50 cents.

6 THE CHAIRMAN: It is entirely different.
7 It is an irrelevant problem.

8 MR. BROOKS: Well, I am not here to
9 quarrel with you; I am here to try to help you
10 as much as I can.

11 THE CHAIRMAN: The Polymer content of it
12 is about 15 per cent.

13 MR. BROOKS: 15 per cent.

14 THE CHAIRMAN: May I read you this state-
15 ment, "These tires are produced for Canada Tire,
16 a private company, by one of the existing tire
17 manufacturers, also a private company, out of
18 materials of which synthetic rubber is only one,
19 accounting at least for 15 per cent of the total
20 tire cost. Synthetic rubber is made by Polymer ..."

21 MR. BROOKS: Isn't that exactly what
22 we are suggesting to you, professor? We suggest
23 in our brief to you that we are not asking the
24 Government to set up a Crown company that is going
25 to continue forever to produce transmissions,
26 but it is going to be sure the capital of this
27 country that in setting up such a company the
28 stock will be sold to Canadian citizens.

29 THE CHAIRMAN: I think you are the best
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3 friend the pedestrian ever had. You are going to
4 make it possible for me to cross the street in
5 comfort because you will have made cars so dear
6 that at least the population of cars will be reduced.
7 However, let us go on to something else. You argue
8 not only the removal of the excise tax except on
9 cars over \$3,000, and I am interested in this
10 suggestion, and it even occurred to me that we
11 might relate it not to the value but to the width
12 and length, and I was hoping that I could get Mr.
13 Frost to agree with the removal of the excise tax
14 if the cars were less than such and such a width,
15 and I had in mind a car called "Desire" with these
16 particular specifications.

17 However, let us go on to the other thing.
18 The sales tax is imposed on not just cars, but
19 on all commodities. Are you going to recommend that
20 all sales tax be eliminated or that the automobile
21 be relieved of sales tax?

22 MR. BROOKS: Well, what we were suggesting
23 or could suggest in the removal of that is that
24 our Government has got to have money to operate and
25 we just can't keep on taking all of the taxes off
26 of our commodities, but they can be transferred
27 to a proper field and certainly the excise tax and
28 sales tax could be shifted to one of the raw materials
29 leaving the country, along with the profits that are
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3 made by the firms that are owned outside of this
4 country and I think that the tax should be lifted
5 from the burden of the buying public in Canada. If
6 you take it off one place you have to put it some-
7 place else, and I think that it is on in the wrong
8 place.

9 THE CHAIRMAN: Is this a proposal for
10 the removal of the sales tax or the sales tax on
11 automobiles?

12 MR. BROOKS: No, we are dealing only
13 with the automobile.

14 THE CHAIRMAN: You think it is not only
15 a case for removing a discriminatory tax on a
16 luxury, although it is necessary to leave it on
17 if the car is over \$3,000, but also removing the
18 sales tax and which nevertheless could apply on,
19 let us say, a washing machine?

20 MR. BROOKS: Is there a sales tax on
21 homes? Maybe you can help me.

22 THE CHAIRMAN: On most of the pieces
23 going into them.

24 MR. BROOKS: No, but not on the home
25 itself.

26 THE CHAIRMAN: Not by the time it has
27 got to that point, there is not, but are there not
28 parts going into the automobile?

29 MR. BROOKS: I am not quite sure.
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3 THE CHAIRMAN: You have it at one point
4 or the other; if you take it off the automobile
5 you want to take it off the washing machine?

6 MR. BROOKS: If we recognize that the
7 automobile is that kind of a necessity.

8 THE CHAIRMAN: But we don't need to wash
9 our clothes, we don't need to save our wives the
10 burden of washing without a washing machine. We
11 charge 11 per cent, and the man who wants to drive
12 around in cars and make life difficult for me
13 doesn't have to pay a sales tax, and I think it is
14 a most extraordinary proposal.

15 MR. BROOKS: I am not suggesting we will
16 take them off, but in the instance of automobiles
17 I submit that it naturally would follow that the
18 washing machine people would want them off also.

19 THE CHAIRMAN: It is really a proposal
20 for all sales tax?

21 MR. BROOKS: It would naturally follow
22 that is what it is.

23 THE CHAIRMAN: What about the
24 excess profits tax; is this to be that or a tax
25 purely on automobile corporations?

26 MR. BROOKS: We think a fair profits tax
27 should be levied on anything --

28 THE CHAIRMAN: This is a general financial
29 proposal, not an automobile one?
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3 MR. BROOKS: No, you can't separate them.

4 THE CHAIRMAN: When you come to the benefits
5 which accrue from automation, I don't think that
6 you are taking credit for what you have done.
7 Surely the activity of the union has ensured that
8 the benefits of automation have resulted in higher
9 wages. Are you not now selling it down the river?

10 MR. BROOKS: You asked me this question,
11 whether we could take care of it to a certain
12 degree.

13 THE CHAIRMAN: I think you have done very
14 well.

15 MR. BROOKS: But we have been advised by
16 the Prime Minister of this country, he told our
17 convention to go slow, that is what he told us to
18 do, in our negotiations with the firm, and he most
19 recently told us when we presented our brief that
20 labour had to be considered in the demands that it
21 was making upon the industry because that would be
22 ultimately passed on to the consumer, and certainly
23 we can take care of this aspect.

24 THE CHAIRMAN: That is my whole point;
25 I would say that you have already more than taken
26 care of it, and that is Mr. Diefenbaker's worry.

27 MR. BROOKS: Well, we submit that in the
28 last 10 years our wage increases have been based
29 on increased productivity and improved factor,
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3 as they are known.

4 THE CHAIRMAN: These improved factors
5 were arranged before the improvement was known on
6 the assumption that it would take place. Now,
7 some of our worry is that it hasn't been taking
8 place at the rate required by your contracts.

9 MR. BROOKS: This is one of the reasons
10 why we ask that the financial operations of the
11 firms be made public, because when the firms work
12 on this principle, which they have done, there is no
13 way to transfer this increase to the public,
14 because if they give us 6 cents it is going to be
15 12, and it shouldn't be transferred on to the
16 public, and yet the wage increases have been used
17 for excuses conveniently, let us say, at times
18 to raise the price of their product, and here we
19 will be into a 6-cent improvement factor this year
20 and there will be no increase in the price of the
21 product.

22 THE CHAIRMAN: Finally, the question of
23 the run-away plants, and I will try on you the
24 question I was trying on Mr. Burt; is this a plea
25 for freezing the present structure or is it a plea
26 for saying where there is flexibility there must
27 be responsibility for compensation, rehabilitation,
28 or what not?

29 MR. BROOKS: There are two phases of it.
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3 I don't think it should be frozen simply because it
4 is there, and it is not proper for it to be there
5 any longer, but I do feel they shouldn't have any
6 encouragement to run away simply because they can go
7 some place and employ people for a third of the
8 wages that they are presently paying them and set
9 up an organization in that way. The minimum wage
10 law would discourage this aspect of it, but we know
11 of no plant that is moving simply because of its
12 relationship with this working force on the basis
13 of labour costs and all the rest of it. The
14 Ford plant is a good example, they moved to Oakville,
15 but there was no provision made to take care of
16 the citizens of this country and we think there
17 should have been. They must do this in conjunction
18 with the Government with respect to the welfare
19 of the people in the community.

20 THE CHAIRMAN: I think you have answered
21 my question, and I want to make sure. You don't,
22 in other words, require legislation to stop the
23 Ford Company, but you want legislation that somehow
24 or other guarantees if it is to the advantage of
25 the Ford Company and this imposes a severe burden
26 on certain people or certain sections of the
27 community, that there must be some way of compen-
28 sating and relieving this burden?

29 MR. BROOKS: Well, for instance, take the
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3 Oakville move of Ford's; it dislocated, perhaps,
4 5,000 or 6,000 people. Did it make the car any
5 cheaper for the Canadian people or did it make more
6 money for the firm? That is what the Government
7 would have to consider. If a community is going to
8 be left flat because a company finds that it is
9 making a greater return on its money in another
10 area, they would have to justify that, maybe, first
11 of all, and secondly, if it was agreed to, then
12 they would have to take care of the people.

13 THE CHAIRMAN: They would have to take
14 care of --?

15 MR. BROOKS: The company.

16 THE CHAIRMAN: Well, you see, this is
17 what really concerns me, because I think these are
18 social obligations rather than company obligations.
19 If you are going to say there shall be legislation
20 that shall impose these burdens on a company,
21 then very soon, I think, many of these companies
22 will not bother to produce here.

23 MR. BROOKS: I was listening to your threat
24 that the companies might not want to produce here.

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1 THE CHAIRMAN: Then you will produce the
2 car they desire. At what price?

3 MR. BROOKS: You know as well as I do that
4 30,000 Canadians left Canada last year, and we have
5 now approximately 3 million of them living in the
6 United States, and these are skilled people that have
7 left this nation simply because opportunity has not
8 been there for them. We cannot ignore that fact,
9 and so we are suggesting that if there was ever the
10 threat they were going to pull out of Canada that
11 the Canadian people, just like Sweden with 7 million
12 people and just like Australia, where they make
13 their own cars because of legislation, are quite
14 capable of doing the same thing. We, in Canada, have
15 the most natural resources of any country in the
16 world, and no one can tell us we cannot make a
17 car at a price that will compete with anybody else.
18 We are doing it.

19 THE CHAIRMAN: Like Australia? Do you
20 know what the price of a car is in Australia? I am
21 told that a Ford costs \$5,000.

22 MR. BROOKS: Yes.

23 THE CHAIRMAN: Well, thank heaven I do not
24 live in Australia.

25 MR. BROOKS: But in Australia you have nobody
26 unemployed. You have more employment, and the
27 per capita number of people driving automobiles is
28 higher there than in Canada.

29 THE CHAIRMAN: If you say it is so important to
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1 have a Canadian car, and so important to keep
2 certain people employed that we will do it at any
3 cost, then I will accept it, but I start asking
4 what the cost is.

5 MR. BROOKS: Now, I am not saying that at
6 all.

7 THE CHAIRMAN: You are minimizing the cost.
8 You have not really faced up to what the cost of
9 this all Canadian car would be.

10 MR. BROOKS: You see, if we related to you
11 the changes and the characteristics of the automobile
12 industry today you would not find that the prospect
13 of building an all Canadian car is nearly so far
14 removed as it was ten years ago when we had heavy
15 steel frames and many other techniques of production
16 which are not/^{now}put into effect. The characteristic
17 of building an automobile today has changed. We
18 have the engineers; we have the tool makers. We
19 trained them in a plant that closed down. We made
20 our own dies and tools, and we trained our own
21 apprentices, but that plant has disappeared merely
22 because a plant closed in the United States. This
23 would have the same effect if we were to tie
24 ourselves in with the production of the firms on the
25 other side.

26 THE CHAIRMAN: I have been told about volume
27 runs. Is it, as a matter of fact, perfectly simple
28 to produce cheap cars in that volume for the
29 Canadian market alone?
30



1 MR. BROOKS: May I answer that with a
2 question? Would you not have to have price control,
3 if you were going to advance the argument of volume
4 production from another country?

5 THE CHAIRMAN: That is what I am asking
6 you?

7 MR. BROOKS: What assurance would there
8 be, even though you had -- we now have many parts
9 coming into Canada. In fact, most of them come in
10 duty free because they are not made in Canada. It
11 is not by coincidence that the motor vehicle
12 manufacturers discontinued making that part when it
13 can come in under those duty free regulations, so
14 we are not getting the benefits of the volume
15 production of the United States in the Canadian car.

16 THE CHAIRMAN: Exactly, and we would get
17 even less advantage of them if we were making a
18 purely Canadian car. Surely, the costs would go up.
19 You are trying to sell me the idea of a cheaper
20 Canadian car and telling me that it has been done
21 in Australia, but I am saying that it is really a
22 very expensive car in Australia.

23 MR. BROOKS: It is not so much more expensive
24 than ours. I would like to submit one more point;
25 the volume of production does not necessarily dictate
26 the price of the car so much as does the efficiency
27 of the particular plant. If you have one press
28 working at 100 per cent efficiency it will produce
29 parts just as cheaply as a thousand presses produce
30



1 them because it is operating at 100 per cent
2 efficiency. A plant such as the Ford Foundry can
3 turn out parts and castings for the entire industry
4 in Canada, and this is a part of the integration
5 which we say could be looked into, and where the
6 government could assist these parties in making all
7 of the parts, and making the operation just as
8 efficient ---

9 THE CHAIRMAN: How does it assist them?
10 When you say 'assist' I want to know what is meant
11 by "assist".

12 MR. BROOKS: Today, in the City of Windsor,
13 if you were in our motor plant -- and the president
14 of the firm is sitting there -- the government is
15 taking out some high precision automatic machinery
16 that has been operating in there for 13 years,
17 and it is going to put it into mothballs. So if
18 the Canadian taxpayer can pay for that kind of
19 machinery being put into a plant to produce obsolete
20 parts which are going to be dumped into the sea
21 then certainly he can assist the thousands of parts
22 manufacturers in putting in the machinery to make
23 the parts.

24 THE CHAIRMAN: Yes, I see, but, again,
25 this assistance, you see, comes out of the tax
26 revenues. You are going to make a cheap car, but
27 in doing so income tax will go up, and other taxes
28 as well.

29 MR. BROOKS: No.
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1 THE CHAIRMAN: The money has got to come
2 from somewhere .

3 MR. BROOKS: There are half a million
4 people now who are not doing anything and who are
5 not paying taxes and who are drawing money from the
6 government, and who could be working and putting
7 it back. I think you have statistics to prove
8 that the taxes paid by these people would be
9 sufficient to make the industry able to trade with
10 any of the nations of the world. I do not think
11 we want to advance the Canadian automobile industry
12 at the expense of any other workers in any other
13 land, whether they be British or whether they be
14 American. This is not the solution to our problem.

15 THE CHAIRMAN: This is what is so difficult
16 for me. I am afraid we must stop, but half the
17 time you seem to be the Canadian nationalist who
18 will have an embargo on all imports, and now it
19 seems to me that you are going to ask for the
20 free importation of cars from anywhere -- England,
21 Germany or the United States -- because we have
22 got to look after the interests of workers all over
23 the world. I am getting confused.

24 MR. BROOKS: Do you agree with me, Professor,
25 that within the free world, where we are all
26 making the same things, we cannot possibly exist
27 and trade with each other in the same things? If
28 France, England, Germany, Japan and Canada are
29 all making automobiles to whom are we going to sell
30 them?



1 THE CHAIRMAN: Well, shall we stop
2 making them?

3 MR. BROOKS: No, I say that is wrong.

4 THE CHAIRMAN: Are we going to take
5 advantage of this trade, or insulate ourselves?

6 MR. BROOKS: I will refer you to the
7 statement of Mr. ---

8 THE CHAIRMAN: I want your views.

9 MR. BROOKS: I am sorry, but I am not an
10 expert in the field.

11 THE CHAIRMAN: But you have, on behalf of
12 your group, agreed to make a submission.

13 MR. BROOKS: If these were my views it
14 would only be because I have adopted them from
15 someone like Walter Gordon or the Governor of the
16 Bank of Canada. That does not make them my views.

17 THE CHAIRMAN: But you have adopted
18 them, and because you hold those views is why I am
19 interested in them.

20 MR. BROOKS: Out of this flows the whole
21 question of trade with any country in the world,
22 which our government is in favour of.

23 THE CHAIRMAN: And are you?

24 MR. BROOKS: Yes, definitely, because how
25 else can you begin to even solve this problem,
26 particularly if you want to talk about the question
27 of world peace which is so important to the world
28 today. The question of trade with all of these
29 countries must be considered. If you tie yourself up
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1 economically with another nation which does not
2 agree with that particular point of view ---

3 THE CHAIRMAN: But you cannot trade with
4 a nation without getting integrated with it. We
5 trade with Britain because we depend on them to buy
6 our wheat.

7 MR.. BROOKS: We are not integrated with
8 Russia, but the Department of Trade and Commerce
9 says we should trade with them.

10 MR. McARTHUR: I would just like to make
11 an observation, if I may, Mr. Bladen. This brief
12 is based on a sincere effort to understand what is
13 taking place in Canada, and I know you will approve
14 of that. We do not, for a moment, seek to minimize
15 the difficulties involved in putting into effect
16 some of the proposals we have made, but we do, as
17 I say again, refer to Mr. Coyne's statement which
18 we think is a very good synopsis of the difficulties
19 facing this country. It is because of that that we
20 feel if it is true that the integration that has
21 already taken place between the Canadian and the
22 United States economies is responsible in large
23 measure for the economic difficulties that we are
24 having then, naturally, we feel considerable
25 apprehension with respect to any further steps in the
26 direction of integration. It may be correct to say
27 that adequate measures may be taken to protect us,
28 but there is no sure way at this stage, to ensure
29 this will be done.
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1 I would like to make, so far as I am
2 concerned, a final observation. This is a serious
3 problem for Canada. In fact, we feel the key to
4 the future development of Canada is Canadian
5 independence, so far as this can be obtained in the
6 world such as it is today, and we feel that the
7 automobile industry and the difficulties besetting it
8 is part of that problem. That is why we have
9 serious apprehensions in respect to further
10 integration, and that is why initially we are
11 raising opposition to it.

12 THE CHAIRMAN: Thank you very much. I
13 must say that just as I accept this as a sincere
14 effort on your part I hope you will realize that
15 I am making a sincere effort to understand what you
16 say, as I have tried to understand one or two others
17 who have been before me. When I seem to be getting
18 a little vigorous it is purely in an effort to stir
19 up the matter and find out precisely what I am being
20 told. I hope you will not feel it is either showing
21 my own views, or is in any way a criticism of the
22 presentation made. It is in an effort to stir the
23 thing up and find out what I am being told, and
24 what it means and where it fits into the picture
25 which is dreadfully complex and dreadfully important.

26 MR. BROOKS: That is precisely why we came
27 here today. That is exactly why we felt we should
28 get into the exploration of a program that is not
29 going to be damaging to us.
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THE CHAIRMAN: Thank you very much,

Mr. Brooks.

We have said that we will meet again at
2 o'clock, but having regard to the time I think
I will say that we will resume at 2.30 this afternoon.

--- Luncheon adjournment.



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3 --Upon resuming at 2.30 p.m.

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5 THE CHAIRMAN: The first submission is to
6 be made by Mr. Lambert on behalf of the National
7 Canadian General Motors Intra-Corporation Council
8 of the U.A.W.

8

SUBMISSION OF
NATIONAL CANADIAN GENERAL MOTORS
INTRA-CORPORATION COUNCIL OF
THE U.A.W.

10

11 PRESENT:

12

Mr. G.L. Lambert - Chairman

13

Mr. C.G. Pilkey

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THE CHAIRMAN: All right, Mr. Lambert.

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17 MR. LAMBERT: I assume, Mr. Bladen, that
18 you don't wish me to read the brief, that you would
19 rather I discussed the points?

19

THE CHAIRMAN: Yes.

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21 MR. LAMBERT: At the first of the brief we
22 point out that we are not presenting the statistics.
23 We feel that your very capable office is going to
24 be able to find them out and, if you don't that you
25 have the availability of other resources for them.

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26 However, we do feel that the unemploy-
27 ment in the Canadian automobile industry is a bar-
28 ometer of employment in Canada and that the situ-
29 ation in the auto industry reflects the direction
30 of our economy.



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3 Several of the briefs that I heard this
4 morning and which I have read in the newspapers
5 have something in common, because we believe he
6 great natural resources of the Canadian economy
7 should be produced into finished products in our
8 own factories, and as we go on I feel that this is
9 a means, if it is done -- and done in a proper manner --
10 that will go a long way towards producing a car in
11 Canada at somewhat less cost.

12 Again, in our brief, we urge you to
13 recommend to the Government to discourage the plants
14 in running away. I listened to your position this
15 morning. We are not rigid on this question. We
16 do not say that a plant may never, so long as life
17 goes on, make a move. However, we do feel that the
18 legislation should be such that the plant may not
19 discriminatorily take up and move away and leave
20 communities in ^a bad financial and moral situation.

21 Again, also in our brief, we mention the
22 price of cars. We feel that certainly the price of
23 cars has no bearing on the cost. We feel that the
24 corporation -- and certainly the one that we work for --
25 charge all that the traffic can bear.

26 We certainly feel that a car made in
27 Canada -- certainly if there were not the frequent
28 model changes that take place -- that there would be
29 a considerable saving in the cost of the car. We
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3 are not struck by the big fins and so on. In fact,
4 when a worker smacks up one of these big fins it
5 takes quite a bit of money to replace it; and we
6 certainly feel that, as men working -- incidentally,
7 Mr. Pilkey and I are not full-time officers in the
8 union; I work in the foundry and Mr. Pilkey works in
9 the assembly plant in Ottawa. We feel that we
10 suffer more by these model changes, and that the
11 public -- of which we are a part -- suffers by
12 model changes because they have to absorb the cost
13 of those model changes. There are five, six,
14 seven and eight weeks you have to go without pay
15 because of these model changes. Basically, there
16 is no change in the engine, the rear end, etc.;
17 the biggest change is in the big fins and the chrome
18 and so on.

19 On the question of Canadian content --
20 and, this morning, you mentioned the question of
21 the kind of car -- and you did mention the "Beaver".
22 We are not concerned about the "Beaver". What
23 we mean when we say that we wish immediately a
24 75 per cent content -- what we feel is that if
25 that was done it would bring our people back to
26 work.

27 I might say that we are not convinced
28 that even the 60 per cent that is required at the
29 present time is a true 60 per cent, because we
30 understand -- and this is what affects the volume --



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3 that, for example, the transportation of a new car
4 from the factory to the dealer is all considered
5 in the Canadian content; and if this was to be true
6 in any other area then certainly eventhe question
7 of the 60 per cent does not represent a true
8 content.

9 But be that as it may, we feel that the
10 75 per cent would put our people back to work; and
11 we are not saying that it has to be a "Beaver" car
12 as has been expressed here; and I am prepared to
13 go along with this statement, that what we are
14 concerned about is the bread and butter car. I
15 think we are all aware lof what bread and butter
16 cars are. At least in General Motors it is the
17 Chevrolets and Pontiacs; the Ford boys know their
18 bread and butter cars in their plant; likewise
19 Chrysler; and I would say that the sales that the
20 Volkswagen and the Vauxhall receive in this country --
21 they would become bread and butter cars. We are
22 saying that these cars should be produced im-
23 mediately with the 75 per cent Canadian content,
24 with the ultimate goal of a 100 per cent content.

25 On the question of allowing parts into
26 Canada duty free we feel that so long as the parts
27 that are not made in Canada may come into the
28 country duty free this is one encouragement to
29 the industry to continue getting them in from
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3 another country.

4 I want, if I may, Mr. Bladen, to take a
5 little bit of time on this automatic transmission.
6 You have mentioned -- and I read it in the newspapers --
7 and you mentioned it this morning. I believe that
8 the automatic transmission can be made in Canada,
9 and I don't think that it has to cost any more than
10 it is as made in the United States.

11 Incidentally, I was a little bit disappointed
12 that you were not able to come down to our plant.
13 I hope that before your investigation is over you
14 may do so.

15 THE CHAIRMAN: Where is it?

16 MR. LAMBERT: St. Catharines. I am
17 telling you this, you have missed the boat in not
18 coming to my plant, because my plant -- I shouldn't
19 say "my plant" because we haven't got the key to
20 it yet -- but the plant in which I work is the
21 largest -- in my opinion -- is the largest parts
22 plant in Canada. That is the McKinnon plant
23 in St. Catharines. We have a transmission division
24 only making the standard. We used to employ 400
25 people. It is down to less than 100 people
26 because of the amount of automatic transmissions.
27 We have a forge division, a foundry division, a
28 ball-bearings division, fuel pump division --
29 anything you want we can make. In fact, it does the
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3 work of 28 plants in the United States. Now, when
4 you go to get an automatic transmission in the
5 United States what happens? They have a forge
6 where they produce the forgings necessary to go
7 into the automatic transmission. They produce them
8 and then they have to ship them for maybe hundreds
9 of miles to another location where they are assembled.
10 Let us take the foundry operation in the automatic
11 transmission. The same thing happens. The foundry
12 produces parts for this automatic transmission and
13 they have to ship them. This is what we would like
14 to investigate. In our plant it is all in one
15 place. There is no question of having to ship all
16 over the country. We have several forges with
17 hammers lying idle. They have capacity to produce
18 what is needed for an automatic transmission. We
19 have a foundry which is considered by General Motors
20 themselves to be the most modern foundry in the
21 world, and moulding lines lying idle; and we have
22 the pattern makers -- the highly skilled people that
23 produce the patterns. We have the people who are
24 capable of assembling them. With all of these
25 advances the only person that ever told me that it
26 would cost more to make an automatic transmission
27 in Canada was my boss.
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3 And I am not prone to always believe what
4 my boss tells me. Sometimes I have found that some
5 they have told me is a mistruth -- we will put it
6 that way. Certainly, I would like you to come down
7 because I think you would get an eyefull if you
8 did; and in relation to the automatic transmission
9 I think it is a myth that the automatic transmission
10 cannot be produced in Canada as economically and as
11 good.

12 We feel -- and this is something that
13 hasn't been mentioned, but it is contained in our
14 brief -- that there is this question of interest.
15 When a person buys a car -- and many workers
16 cannot pay cash for a car -- we feel that the
17 insurance companies, or, rather, the people who
18 lay out the money -- we feel that the exorbitant
19 interest rate charged gouge the public. Certainly
20 we feel that the recommendation to alleviate that
21 problem would go a long way into being considered
22 in the price of a cheaper car in Canada.

23 I would just like to emphasize again
24 that we wish that the Canadian Government, when they
25 are discussing the treaties with GATT, defend
26 themselves in an honourable position and keep in
27 mind that they must protect the interests of
28 Canada, and in any agreement that may be reached
29 under GATT.
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3 Very briefly I have said that, and I think
4 you must assume by my remarks that I am in favour --
5 and when I say "I" I am speaking of the Council --
6 that we are in favour of the 75 per cent content
7 immediately, with the ultimate goal of an all-
8 Canadian car. We have a very proud position also.
9 Some people this morning were not prepared to
10 answer that directly. It is with me, for one
11 reason, a national position. I am very proud of
12 this country I live in. I think that this country
13 has got a great future. I think that the Canadian
14 automobile industry is going to be a part of that
15 future. I feel that what we do today -- not
16 only yourself, Mr. Bladen, not only the unions,
17 not only the industry, but the public at large --
18 what we do today is going to result in the develop-
19 ment of this great country of ours. Our country
20 is not always going to have only 18 million people.
21 I believe our country is going to grow and expand
22 and will take care of a lot of this volume problem
23 that you speak of.

24 I would also like to say that a remark
25 was made here today by Mr. Burt, that I didn't take
26 too much comfort from, and that was would Mr.
27 Reuther object to a form of integration. Certainly,
28 I feel that any form of integration that would harm
29 American jobs -- I am sure Mr. Rider would not take
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3 it lying down. He didn't when the Ford Motor
4 Company suggest that they were going to make Fords
5 in West Germany and ship them into the United
6 States. Just last week I was in Freemantle, Ohio,
7 at a forge council meeting where the main speaker
8 was the assistant to one of the vice-presidents
9 of our union and he was bemoaning the fact that
10 imports coming into the United States were hurting
11 jobs and so on. So there is no doubt that,
12 certainly, any form of integration that is going
13 to hurt the American workers -- that Mr. Reuther is
14 certainly going to take a stand on it. I can only
15 say on this question of integration that I am
16 opposed to it; that I feel that it would not be
17 in the interests of the Canadian automobile
18 industry; that it would not be in the interests
19 of the Canadian people as a whole; and that your
20 question at least to some of the people this
21 morning, which was "If this could happen would
22 you be in favour of it?" -- I would answer, of
23 course, Mr. Bladen, that I cannot afford to --
24 I make my living by working for General Motors in
25 the plant, as I have done for the past 20 years,
26 and I can't afford to give you an answer based on
27 the assumption of "If this happens", and I don't
28 believe the American Government, the American in-
29 dustry or the American union would agree to any kind
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2 of integration that was not advantageous to the
3 entire American set-up.

4 Briefly, that is the position of the
5 brief of the Council, and I hope that I will be able
6 to answer any questions that you may have for me.
7 I hope that your dinner has slowed you down somewhat
8 from this morning! You see, I had a big dinner,
9 too, and I might be a little slow myself.

10 THE CHAIRMAN: You think we will have a
11 quieter afternoon?

12 Well, first of all, Mr. Lambert, I assure
13 you that I am coming to St. Catharines...

14 MR. LAMBERT: Let me interrupt you,
15 if I may. When you come to St. Catharines, would
16 you please, on my behalf, ask the management if I
17 could go through the plant with you?

18 THE CHAIRMAN: I shall do precisely what I
19 have done in any other case. I shall inform the
20 union that I am coming. I am not issuing orders
21 to the management or to the union as to how they
22 behave to each other.

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1 THE CHAIRMAN: Not only shall I go to
2 St. Catharines, I shall also go to see an automatic
3 transmission plant in the United States, because
4 I am more credulous. Perhaps I have heard it from
5 more people and from some people who perhaps have
6 less financial interest. But it does seem to me
7 that this automatic transmission is a more difficult
8 item than you are suggesting, but I have got to
9 look into it more.

10 In your remarks on integration I see two
11 lines being taken. One is you don't like it because
12 you are a Canadian nationalist. Well, I happen to
13 be rather proud of this country, too, although I only
14 came to this country forty years ago.

15 Now, the Americans won't accept anything
16 that does them harm. I think I would accept that,
17 too. The important thing is for me to explore as to
18 whether this is to the mutual advantage of workers
19 in both countries, by getting such increased volume
20 that costs are reduced and therefore sales are
21 increased; and, incidentally, the domestic cars
22 will be on a more favourable basis in competition
23 with English and European imports.

24 MR. LAMBERT: You go on that word "if",
25 though, and that is what scares me.

26 THE CHAIRMAN: Well, I think you might be
27 scared at the other possibility if we decide to go
28 along with the line that involves a Canadian car,
29 and increased cost, 75 per cent or 100 per cent Canadian
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1 content but so many fewer cars that there are fewer
2 jobs. That is an "if".

3 MR. LAMBERT: To me it is not an "if",
4 because I believe it is possible to produce a
5 Canadian car with 75 per cent and with an ultimate
6 goal of 100 per cent. That, with all of the
7 avenues and all of the brains we have in Canada --
8 and we have some pretty good brains here -- the
9 cooperation of the government --

10 THE CHAIRMAN: What do you mean by "cooperation
11 of the government"? You mean subsidy?

12 MR. LAMBERT: No, I don't say anything
13 about that. All we have to do in order to get it
14 started is for the government to say that 75 per
15 cent be produced in Canada.

16 I came across a magazine at lunch hour,
17 News and World Report, and it is interesting to
18 know what they are doing in other countries. "The
19 U.S. auto makers in Mexico.....and Fiat."

20 That is what I mean by cooperation of the
21 government. Until the government tells the people
22 to do something I don't believe they are going to
23 do it.

24 THE CHAIRMAN: It is all right telling the
25 companies what to do; it is telling the consumer
26 what they are to buy. I don't think the companies
27 are going to say they are going to be limited to
28 these models. Surely they will say they make cars
29 better than the Mexicans.
30



1 MR. LAMBERT: There are a great many models,
2 and I think they won't be too concerned if we cut
3 about 200 of them off. We want the European
4 companies to produce in Canada here.

5 THE CHAIRMAN: Can I go on to another
6 point? It appears that what you are proposing is
7 something much more radical, for here not only does
8 your brief talk Crown corporation, as did 444, but
9 also it seemed to me to indicate general planning.
10 In other words, are you really arguing the solution
11 to this problem as outside the possibilities of
12 capitalist free enterprise and your arguing for a
13 solution that it involves government enterprise
14 and socialized planning?

15 MR. LAMBERT: Personally I am not opposed
16 to socialism, but we try to solve our problem
17 under the free enterprise system, and we still
18 believe that the production of a 75 per cent car
19 in Canada is possible and feasible.

20 THE CHAIRMAN: What has your Crown
21 corporation got to do with it?

22 MR. LAMBERT: If you refer to our brief, the
23 Crown corporation is referred to in the setting up
24 of a Crown corporation in the loaning field.

25 THE CHAIRMAN: That is the only one?

26 MR. LAMBERT: Yes, that is the only one in
27 our brief, sir.

28 THE CHAIRMAN: As to financing, I think I
29 am going to weasel --
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1 MR. LAMBERT: You understand I am not a
2 financier.

3 THE CHAIRMAN: No, I am weaselling in a
4 different sense. I don't think that the
5 financing of sales and the distribution system
6 clearly comes within my terms of reference. Now, I
7 may be subject to pressures and persuasions that
8 may make me change that, but at the moment I think
9 I am going to leave that thorny field. I have
10 enough tough ones, anyway.

11 MR. LAMBERT: Well, if you consider all
12 the rest of our brief we will let you off the hook
13 on that one.

14 THE CHAIRMAN: At any rate, on the next to
15 last page it says: "It is necessary that Canada
16 plan its economy.." I wondered just how much
17 planning this meant.

18 MR. LAMBERT: Well, I certainly think that
19 with the unemployment problems today and all the
20 problems that the government is confronted with
21 and the emergency meetings that they have today
22 they must be concerned a little bit, too, and I
23 imagine Mr. Diefenbaker is sitting down and doing
24 a little bit of planning now.

25 THE CHAIRMAN: It isn't planning in the
26 sense of centralization of the production process.

27 MR. LAMBERT: If you have a problem you must
28 make some plans to solve that problem, and that is
29 what we advise.
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1 THE CHAIRMAN: At times one gets the
2 feeling in your brief and in the one before that
3 if profits are as high as you suggest, the best
4 plan really is to eliminate all protection and
5 we will soon bring the profits down.

6 MR. LAMBERT: Well, under the free
7 enterprise system I recognize there has to be profits,
8 but at the same time I feel that even under a
9 free enterprise system, when they are at a
10 disadvantage to the public at large, then I think
11 certainly the government is in at least a position
12 to suggest to some of these people let's look at
13 your profits. I don't see anything wrong with that
14 even under a free enterprise system.

15 THE CHAIRMAN: I think so much of the
16 ground you cover is similar to ground we have been
17 covering, and I think I feel content at this
18 stage.

19 MR. LAMBERT: I will make an agreement
20 with you: If you don't go away mad, I won't go
21 away mad.

22 THE CHAIRMAN: Is Mr. Gopelle here?

23 MR. MATHIAS: Mr. Mathias and Mr. Gunter.

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SUBMISSION ON BEHALF OF THE
WINDSOR UNEMPLOYMENT COMMITTEE

Present:

Mr. Mance Mathias,
Chairman

Mr. C.V. Gunter,
Secretary.

MR. MATHIAS: Thank you, Mr. Chairman.

As you will notice, the brief is very brief. It doesn't go into too much detail. We approach the problem of the auto industry strictly from the point of view of those people in the industry who are unemployed. We feel that because of the persistent nature, especially in the town of Windsor, of unemployment in the auto industry we should submit what we feel might be a solution to the problems.

We think that the problem of the unemployed should be given first consideration here over and above other considerations, such as company profits, for example.

We mention two main points in our submission: The human element as it involves people, and we oppose proposals for integration of the auto industry in Canada with that of the United States. In line with that there are two recommendations: One, that we replace American domination of the industry in Canada with Canadian control; and, two, that we increase Canadian content provisions to at least 80 per cent, with an ultimate goal of 100 per cent Canadian car.



1 Now, on integration I noticed you asked
2 very pointed questions, and perhaps I can try to
3 answer some of them now before you ask them.
4 We have a number of reasons why we oppose the
5 question of integration. First of all, the industry,
6 ever since its inception in Canada, has been an
7 integrated industry with the parent company in the
8 United States. It seems that the industries were
9 developed in Canada originally for the purpose of
10 coming under the preferential trade agreements
11 under the empire market at that time, and its sole
12 purpose, of course, is to sell cars to make profit.
13 This integration, while at that time at the
14 development stages has meant quite a development
15 in the auto industry in Canada, results in a
16 situation where this integration itself, we feel,
17 is basically responsible for the economic crisis
18 we now face, especially as far as unemployment is
19 concerned.

20 We have been talking about integration.
21 You mentioned the infamous Abbott plan. Now,
22 perhaps the reason that that Abbott plan hasn't
23 been specifically mentioned is because apparently
24 the people who opposed that action were the ones
25 who gave it the name rather than being a definite
26 document from the government. This type of
27 integration, I gather, also covered the military
28 field in the defence of the continent, but more
29 specifically, as one example, the development of the
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1 uranium industry in Canada, the development of the
2 extraction of uranium in Canada under a shock
3 program to develop in a hurry for American
4 consumption, and we realize now what that has
5 resulted in. Now that America has its own supply,
6 it is going to make ghost towns of places like
7 Elliott Lake, and so on.

8 Now, another illustration. A couple of
9 years ago we had a pipeline scandal, where taxpayers'
10 money was used to finance a pipeline to bring
11 natural gas from the west to the east. This financing
12 was done in the interests of an American pipeline
13 company. It, of course, was paid back to the
14 Canadian government, but the initial investment
15 came from the Canadian taxpayers.

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3 Now, this policy of integration relegates
4 Canada to the role of a supplier of raw American
5 materials for industry and a market for American
6 production and I think this is a policy that has
7 to be changed and especially in relation to the
8 auto industry.

9 As far as jobs are concerned, we have
10 roughly 30 or 40,000 -- say 20,000 auto workers in
11 Canada presently walking the streets as compared to,
12 say, 200,000 in the United States. If we are
13 going to combine the industries, it is not possible
14 that the present production of automobiles in
15 Canada and the United States would give everyone
16 of those auto workers a job by supplying the Canadian
17 market, by supplying both the Canadian and the
18 American markets. It is not possible to give them
19 all a job at the present level of production. It
20 is possible that this problem is solved strictly
21 from a national point of view. However, the volume
22 of sales in Canada of the American models, that
23 is, Ford, Chev., and Chrysler products, the volume
24 of sales in Canada is enough to give work to even
25 more than the present number of auto workers in
26 Canada presently unemployed; that is, if we solved
27 it from a national viewpoint, and this is even
28 with a 75 or 80 per cent content and not giving
29 them the full 100 per cent rate.
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3 If our entire Canadian market was given
4 the auto industry in the United States they couldn't
5 solve their unemployment with this market, that
6 is not possible. I think this question could be
7 solved or should be looked at from a national point
8 of view.

9 I think we are proud of the fact that we
10 are Canadian citizens, and the very fact that we
11 live in Canada -- being a tool maker in the Ford
12 Motor Company getting \$2.65 an hour when we work, we
13 could go and get the same type of job in Detroit
14 for approximately a dollar an hour more than
15 that, and if we were not a little bit nationalistic
16 or had a certain amount of respect for Canada, and
17 wanting to be part of Canada, the simplest thing
18 would be to go to Detroit and get a job, but we
19 don't do this and I don't think we should do that
20 as far as the industry is concerned. We should
21 base our industry on national development, and we
22 have a political boundary here; we have a number of
23 things we should be proud of in Canada, and these
24 things should be developed.

25 Also, as for integration and the question
26 of a new national policy, the big three car manu-
27 facturers in Canada, I think it is generally agreed,
28 are American companies, they are not Canadian companies
29 and they build cars that are American models, American
30 design. After 50 years of production of cars in



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2 Canada, we have no such thing as a Canadian car.
3 That was mentioned this morning, the car named
4 "Desire". We have produced strictly an American
5 car, and we have no objection to that, but we think
6 that the content of that production in Canada should
7 be increased; there should be Canadian parts and
8 Canadian materials.

9 This affects the question of Canadian
10 independence. Not only the sales policy but the
11 production policies in the Canadian auto industry
12 are determined in the interests of the parent
13 company which is natural, of course, if you have
14 a subsidiary someplace you want to have a subsidiary
15 that operates to make the most money for you.

16 Take General Motors and Chrysler; General
17 Motors are a good example with the production of
18 the Vauxhall in Great Britain, in England, and
19 they take the biggest small car part of the market
20 in Canada. That is a General Motors company. Now,
21 to General Motors it makes very little difference
22 to them how they make their profit as long as
23 they are making their profit, and if they can do it
24 better by making them in England and exporting them
25 here, then they will do that, and Ford and Chrysler
26 are the same.

27 Now, if this is correct, I think that
28 the Canadian Government, the federal authority,
29 should determine -- would have some control over
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3 a national industry, an industry that is such a
4 vital part of the economy of Canada in determining
5 what the automotive policy should be, not only in
6 respect to the sale of the products but also pro-
7 duction of cars and parts.

8 The fact was already mentioned that the
9 parent companies in the States have exercised
10 certain control over the Canadian subsidiaries so
11 far as sales are concerned. It is only a couple
12 of years ago that it was raised in the press about
13 a sale that was apparently made in Vancouver through
14 some dealership there in Vancouver, of 1,000 cars
15 to China, and it was cancelled because of pressure
16 from the American Ford Motor Company. Now, this
17 is something which I think should be entirely
18 decided by the Canadian people, not by foreign
19 owners of industry in Canada.

20 It was raised earlier, the question of
21 pricing and making a Canadian car. We believe
22 that a Canadian car could be developed. It is
23 not possible immediately, but certainly we should
24 have some pride in our nationhood, and we believe
25 that a car could be designed and built and made of
26 Canadian materials and Canadian labour in Canada
27 which would be competitive on a world market.
28 We could sell to other countries in competition
29 with their own production. However, of immediate
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3 concern is the increase in the content of the cars
4 which are made in Canada.

5 The question of cost of volume production
6 in the United States as compared with the type of
7 production in Canada I don't think gives a true
8 indication because of the quality, and that was
9 mentioned, too. Canada builds a better car than
10 the United States. That is true, it is not just
11 speculation.

12 Take for example the fact that we work
13 in the tool room. We build dies to make stampings
14 for the car parts that are designed, and every
15 time the ~~back~~ is struck in a press the die is
16 bottomed to give a proper form. Now, that die is
17 good for the amount of production that we put out
18 in Canada; it lasts long enough to cover the
19 Canadian production. In the United States they
20 can't develop a die that will strike a proper form
21 each time because the die would never stand up to
22 the volume of production needed there, so as a
23 result of that when they stamp parts in the press
24 in Detroit the die is not bottomed, it just gives
25 you not quite a complete form and it naturally
26 follows that the part is not quite as good quality
27 material as we make in Canada. That is just one
28 instance.

29 Sometimes in production in Canada, a
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2 machine will break down on a line producing parts,
3 the component parts will break down, and in order
4 to keep production going they will buy supplies
5 from the United States to fill in. The parts that
6 they sell, they usually don't sell a dozen at a
7 time, they insist that we buy a carload or some
8 huge number in order that we can buy them at all,
9 and in talking to the inspection department in the
10 plant they say that they don't come up to the
11 quality standards of the Ford production in Canada,
12 so these are things that must be considered, too,
13 when you are talking about price.

14 If you build a car in Canada or increase
15 the Canadian content, if you pay a higher price you
16 are getting better quality for that price, but
17 we are not too concerned about the price itself.

18 While working in the tool room making
19 \$100 a week, we are in a much better position to
20 pay \$5,000 for an Australian Ford than we are if
21 we are unemployed and have to pay for a \$1,000
22 car. I say that the price shouldn't be a primary
23 consideration, but here it is the question of
24 employment in Canada, and that is what we are
25 concerned with.

26 Now, Mr. Chairman, I think I have covered
27 my points.
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2 THE CHAIRMAN: I think I should thank you
3 for having made a submission and having conducted
4 your own cross-examination.

5 MR. LAMBERT: I tried to answer the
6 questions for you.

7 THE CHAIRMAN: I don't think I have any
8 other questions to ask you, but my inclination,
9 rather, is to say that your brief is a moving one,
10 and that I would like to say that I do recognize
11 the urgency of the problem which is imposed by
12 the unemployment in the cities which are most
13 affected. I recognize however, also, that this
14 is only part of a general problem which is under
15 examination in another place, but, as I said
16 to a television group, I don't know whether they
17 made any use of it, but because of the recognition
18 of this urgency I am anxious to make, if possible,
19 a quick report.

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Whether I shall be able to will remain
to be seen.

MR. LAMBERT: I appreciate that. It might
be that we are a little better off than some of
them; we have been called back to work.

THE CHAIRMAN: Congratulations.

MR. LAMBERT: Thank you very much.



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2 SUBMISSION OF
3 GREATER WINDSOR INDUSTRIAL COMMISSION

4 PRESENT:

5 Murray A. Elder

6 THE CHAIRMAN: The next submission is
7 made by Mr. Murray A. Elder for the Greater Windsor
8 Industrial Commission, and I understand it is
9 on behalf not only of Windsor, but also the
10 communities of Oakville, Oshawa, St. Catharines
11 and Trafalgar. Mr. Elder?

12 MR. ELDER: You should also add Hamilton
13 to that list, Mr. Chairman.

14 THE CHAIRMAN: Right. I thought I
15 noticed Mayor Patrick here.

16 MR. ELDER: Yes. We have representatives
17 from most of those communities sitting here today
18 listening to these proceedings.

19 Mr. Commissioner, it is a pleasure to
20 appear on behalf of these communities today, and
21 you have had our submission for some months. It
22 is very similar to the one that we presented to
23 the Prime Minister in June of this year. We
24 have brought some of the statistics up to date
25 which were not available at that time. I have
26 prepared a resume, and I will just highlight
27 the resume so we can get right down to business.
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1 Prior to 1939, Canadian exports often
2 accounted for as high as 37 per cent of domestic
3 vehicle production. In 1957 and 1958 our exports
4 had dwindled to a point below 5 per cent, and in
5 1959 to 3.2 per cent of our domestic production.
6 In 1938 and 1939 imported vehicles totalled from
7 12 to 15 per cent of all vehicles sold. In 1957
8 imported vehicles totalled 80,011, in 1958 113,377,
9 and in 1959 165,564, representing approximately
10 33 per cent of the Canadian sales.

11 Now, that figure of 33 per cent differs
12 slightly from the figures which have been used
13 prior to this submission. We have included all
14 imports -- imports from the United States as well
15 as from Europe.

16 As you probably know, the centres producing
17 automobiles in Canada are Hamilton, Oakville,
18 Oshawa and Windsor. We have parts facilities in
19 Toronto, St. Catharines, Windsor and St. Thomas,
20 and so on. It is these communities which I represent
21 today, and which feel the fluctuations in
22 automotive production most severely.

23 We are alarmed that since 1951 our motor
24 vehicle production has remained relatively constant
25 at about 400,000 units per year. During that
26 time our population has increased by over $3\frac{1}{2}$ million,
27 or 23 per cent, and our automobile sales have
28 increased by some 40 per cent, but our employment
29 at the moment is less than the 1951 figure. This also
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1 is very alarming.

2 The effect of this has been felt equally in
3 our parts industry, and we are speaking also on
4 their behalf. In 1959 we imported over \$319 million
5 worth of parts, 96 per cent of which came from the
6 United States. It is difficult to get the figures,
7 but it is reliably estimated that almost 60 per cent
8 of these entered Canada duty free.

9 We feel that not only are the employees the
10 losers when we engage in this volume of imports,
11 but the government is losing also in respect to
12 corporate income tax, excise and sales tax and
13 personal income tax. With no growth taking place
14 in our productive capacity these revenues will
15 remain constant also.

16 After studying this problem for some
17 time it came to be our conclusion that our
18 present policies and practices seemed to foster
19 the growth of the automobile parts industry in
20 countries other than Canada. These policies, also,
21 we feel act as a deterrent to healthy integration
22 because of the unemployment in this industry.

23 We have made a number of recommendations,
24 the first of which is with respect to importation
25 valuation, and in our original submission we
26 substantiate the figures which are used in this
27 recommendation. We are very pleased to see that
28 the government has announced action in this point.
29 We feel that a realistic valuation will not harm at all
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the competitive position of the imported cars.

THE CHAIRMAN: But you hope it will?

MR. ELDER: We do not think it will, but at the same time it will level off or equalize the basis for payment of sales tax and excise tax.

Our second recommendation is with respect to the matter of encouraging the Canadian manufacture of foreign vehicles, and we point out that if Studebaker-Packard can manufacture in Canada while producing 5,000 units per year then surely Volkswagen, British Motors Corporation and some of the other foreign companies can do likewise on a volume many times this. Australia has encouraged domestic production, and Volkswagen produced 16,700 units in that country in 1958.

It might interest you to know that in 1949/50 Australia imported 103,185 built-up vehicles, many from Canada. This figure has steadily declined to 4,445 in 1957/58.

You have questioned some of those appearing on the matter of incentive, and one method would be to reduce our excise tax on the manufacturer's sale price by a given percentage if the vehicle is of 50 per cent Canadian content, 75 per cent Canadian content, or higher.

Our third recommendation is as to the matter of standard transmissions and automatic transmissions. We are not only losing employment in the standard transmission field, but we have machinery



1 and capital equipment which is not being used. We
2 believe that negotiations could be undertaken with
3 our principal supplier of automatic transmissions,
4 the United States, to permit Canadian suppliers to
5 provide components for the combined market on a
6 duty free basis, at least to the extent of a dollar
7 amount totalling the value of automatic transmissions
8 imported into Canada in the previous year.

9 Just as a side light, Tariff Item 438N,
10 which covers automatic transmissions, expires on
11 October 31 of this year, and the order-in-council,
12 if not renewed, will call for a 25 per cent most-
13 favoured-nation duty. In the past the order-in-council
14 has been almost automatic in its renewal. Possibly,
15 a renewal of the reduction is in order, but a
16 gradual increase might serve to encourage domestic
17 content or manufacture. Canadian manufacturers
18 have some machinery and the tooling is merely
19 changed; new machinery purchased for transmission
20 manufacture can also be used for many other
21 purposes. New equipment might have to be changed
22 in some instances, but we do believe we can turn out
23 components for transmissions.

24 Our fourth recommendation is with respect
25 to Canadian content. We feel the content could be
26 increased, leaving the formula as it is at present.

27 Our fifth recommendation concerns the
28 content also; change the formula but leave the
29 content at the present 60 per cent, and exclude some
30



1 of the items which are presently counted as
2 Canadian content.

3 Our sixth recommendation concerns Canadian
4 content of vehicles, and we cite the case of our
5 imported vehicles which in the past three years,
6 1957, 1958 and 1959, totalled over 358,000 units.
7 Had even 60 per cent of these been provided with
8 Canadian made tires we would have sold 897,380
9 tires. This would have had quite an effect on our
10 rubber industry. We feel there are other things
11 which can be added to imported vehicles such as
12 Canadian spark plugs, headlights, wheels, wheel
13 covers, gasoline and radiator caps, steering wheels,
14 and so on, which would help the Canadian parts
15 industry.

16 Our seventh recommendation is as to
17 Canadian versus Commonwealth content. We suggest
18 that some study should be made by the government
19 of the value of retaining Commonwealth content on
20 an equal basis with Canadian content. In the past
21 months, if anything, our group has felt more
22 strongly than ever on this point of the possibility
23 of the assembly of foreign vehicles in Canada.
24 As the Volkswagen representative mentioned yesterday,
25 it will not add materially to our Canadian employ-
26 ment. We would like to see Canadian content
27 specified if these vehicles are manufactured in
28 Canada.



1 Our eighth recommendation is to standardize
2 the vehicles now offered for sale in Canada. We
3 are pleased to see that some manufacturers have
4 done this, and we hope that the increased volume
5 will assist our parts industry, and our employment
6 figures.

7 Our ninth recommendation concerns the
8 possibility of manufacturing a vehicle for the
9 North American market in Canada. We feel that this
10 would increase the manufacturing activity of our
11 parts plants.

12 Our tenth recommendation concerns the
13 Department of National Revenue. We say that the
14 Department of National Revenue should constantly
15 review tariff terminology and Canadian manufacturing
16 facilities to bring about increased employment in
17 Canada through up-to-date rulings and interpretations
18 of what is, or can be, and what is not, made in
19 Canada. We have found that duties are provided
20 for in many cases if the article is defined as
21 "a class or kind made in Canada" and we feel this
22 is a term that should be changed to read "a class or
23 kind that can be made in Canada". There are items
24 which can be produced in Canada equal in quality,
25 delivery, and at lower prices per piece than in
26 the United States.

27 Just on that point, Mr. Chairman, we know of
28 several examples. We have found definite proof
29 in the case of one, and if it were not for the fact
30



1 that the parts people are so darned reluctant to
2 provide us with this proof we think we would have
3 found many more.

4 The item that I can prove, and on which we
5 are prepared to supply you with confidential
6 information, is a piece that is produced for a
7 Canadian car at exactly one-half of the price of the
8 same piece that is produced in the United States.
9 That piece has been transferred from the United
10 States to Canada, and we are producing it at
11 exactly one-half the cost. The company that is
12 doing this did not want its relationship with its
13 customers placed in jeopardy. We feel that Canadian
14 firms and parts plants are particularly well suited
15 to after service parts, as our set-up costs are
16 lower and, therefore, the re-run is less expensive
17 and less costly.

18 If you look at Item 438C, for example,
19 you will see that it provides that stampings,
20 front end, shall enter duty free as a class or
21 kind not made in Canada. We have found there is
22 quite a difference of opinion as to what a front end
23 stamping is. There are all kinds of stampings
24 entering Canada duty free under this item which can
25 be produced here, and perhaps if this were
26 specified in the tariff our parts plants would benefit
27 to some extent.

28 On the valuations of smaller stampings, many
29 enter Canada at invoice prices which do not include
30



materials. These parts are produced from fall-offs and slugs from window cavities, and door and radiator cavities in the front end stamping. The American producers of these components take that fall-off or slug and they produce this multitude of small stampings from it, and when they are imported into Canada the material is a gift, and it does not show on the invoice, and duty is paid on the invoice price if there is a duty to be paid, or if it enters Canada duty free they do not have to worry about it anyway. Therefore, we suggest that the Canadian Customs check as they did prior to the last war, and as the United States Customs do at present, to make sure that all component costs are included in the fair market value. The United States form is Special Customs Invoice No. 55-15, and users of this form must show a minimum of 10 per cent profit in addition to factory burden and other costs, including materials.

With respect to these larger stampings which provide the free material such as doors we understand that refrigerator doors are made in Canada, and they are not too different from an automobile door, and, therefore, we feel that automobile doors can be made in Canada. If they were then our manufacturers would have that additional material that comes from the window cavity.

I understand that General Motors makes the hood for their Pontiac at McKinnon Industries at



1 St. Catharines, which proves that we have the ability
2 ~~abdltng~~ know-how to make hoods in Canada.

3 We have presses which are available with
4 a size capacity which is not being fully utilized.
5 The technical term, I believe, is 'the shut height'.
6 Our presses in Canada have large blocks of steel
7 which are attached almost permanently to them because
8 that height is never used. We can make much
9 larger stampings than we are making. I can show you
10 big machines that make two stampings at a time
11 because there is not a stamping made in this country
12 large enough to use the capacity of that press,
13 and we are prepared to furnish that information
14 confidentially to the Commission.

15 The Department of National Revenue could
16 assist all the manufacturers by issuing a clear-cut
17 decision on split billings. If the trend is
18 towards the importation of assemblies, duties already
19 in existence on the parts should not be granted
20 free entry.

21 We have plants in the communities represented
22 which produce castings. Castings are now coming in
23 attached to frames. Castings are dutiable if they
24 enter independent of the frame, but they are imported
25 duty free if they are attached to the frame. This
26 extends to other articles also, and we feel that we
27 can have that additional tonnage if we had that smaller
28 measure of production that employs so many people.

29 Our eleventh recommendation concerns the method
30



1 of applying excise and sales tax, and we suggest
2 (a) giving to the domestic producer a credit in the
3 valuation procedure, or, (b) basing the excise and
4 sales taxes on the price of all vehicles to the
5 retailer.

6 In the past few days, Mr. Chairman, we have
7 heard many things that I think indicate that Canada
8 has room for improving her situation in connection
9 with the United Kingdom and Germany. One of them
10 is that I think we can negotiate with the United
11 Kingdom for the removal of insurance and freight
12 from the value of the units exported to the United
13 Kingdom. In other words, our exported cars should
14 be put on the same basis as their exported cars.

15 We have heard a great deal about the
16 trade balance. It seems a little unreasonable to
17 expect a country of 18 million people to import the
18 same volume of goods that a country of 50 million
19 people consumes. I have suggested to some of our
20 United Kingdom people that we negotiate on a
21 per capita basis. We presently buy twice as much
22 per capita from them as they buy from us. They have
23 simply waved that suggestion aside. I noticed
24 that a prominent British diplomat made that same
25 suggestion to the United States not too long ago,
26 where the balance of trade is in favour of the
27 United States.

28 The representative of the B.C. forest
29 industries mentioned housing starts in Canada. Perhaps
30



1 housing starts are down in Canada because of the
2 volume of imported components from the United
3 States, as well as completed units from Europe.
4 If we pick up in this field perhaps his lumber
5 sales will pick up.

6 Free trade has been mentioned in connection
7 with agricultural products. I think you will find
8 in your investigation that employment is down in
9 the agricultural industry, and I know they have
10 made it particularly hard on the automotive industry
11 due to a recent ruling whereby agricultural
12 component producers can now produce automotive
13 components. When this was brought to the attention
14 of National Revenue they did come back, we
15 understand, and charge a small duty on agricultural
16 equipment which had been imported duty free.
17 We feel that if Customs had looked at this matter
18 a little more closely they would not have been
19 so eager to make this change in a long standing
20 administrative rule.

21 We would also like to point out that the
22 agricultural industry is the receiver of many
23 subsidies, and probably a good many of those dollars
24 which they receive in the form of subsidies come
25 from our manufacturing industries, and, therefore --
26 well, we feel we have to have a happy balance in
27 this country. We have to employ our farmers as
28 well as our automobile workers. We cannot sacrifice
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one group for the sake of the other. Thank you,

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Mr. Chairman.

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3 THE CHAIRMAN: Thank you, Mr. Elder.

4 I wonder if I could just follow up some
5 of these recommendations by further discussion. I
6 was rather surprised that you were so little pleased
7 by the action on the valuation, that it wasn't
8 going to affect the competitive position, give the
9 competitive advantage to the domestic producers.

10 MR. ELDER: I probably misunderstood you.
11 It will improve the situation of the domestic
12 producers.

13 THE CHAIRMAN: Quite markedly, surely.
14 We then go on to consider the possibility of inducing
15 these from companies that produce in Canada, and I
16 want to know the inducement. I am rather amazed at
17 you suggesting that one of these inducements would
18 be to eliminate the excise tax if that reached a
19 certain percentage of content. As compared with
20 the advantage given by the recent ruling surely this
21 is peanuts? 7 per cent doesn't give you much to
22 play with it, does it?

23 MR. ELDER: No, it doesn't.

24 THE CHAIRMAN: However, you did explain
25 in Australia Volkswagen had been induced. Can you
26 tell us what the inducement was and what the resultant
27 rise in the price of Volkswagen was?

28 MR. ELDER: I couldn't tell you this.
29 We did find an Australian study of the automotive
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1
2 industry, or a report on the automotive industry,
3 and we did pull this figure from it of 16,700 units
4 produced in 1958 in the Australian plant.

5 THE CHAIRMAN: What the consumers of this
6 country are interested in is how much they have to
7 pay, as well as the worry about price. I am concerned
8 with Windsor; I am concerned with unemployment in
9 Windsor and I am concerned with the manufacturer,
10 but I am also concerned with my farmer friend who
11 was here this morning and I have got to weigh
12 what these things mean in terms of cost. There
13 is a balancing here necessary, you see. I have
14 a feeling that this means quite a considerable
15 protection if we persuade them to come ...

16 MR. ELDER: Mr. Chairman, at one time --
17 and please don't hold this against me -- I owned
18 an Austin automobile. I had occasion to go into a
19 parts supplier -- this was in 1949 -- and I had
20 to pay \$1.12 for a light bulb. So that the user
21 of an imported automobile doesn't usually save money
22 on replacement parts.

23 Maybe this situation has been rectified.
24 I don't believe it has. You will still find them
25 high on replacement costs.

26 THE CHAIRMAN: You raise here a problem
27 that I know of no way of investigating, but I will
28 state it. We continually talk about the cost of
29
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2 a car as though this was the cost -- the price of
3 the new car. If we could get down to figures
4 about the cost of 100,000 miles of operation in
5 a given period of time and compare this for different
6 makes of cars, domestic and imported, I suspect
7 that we would receive some very considerable
8 shock but I don't know how to get that information.
9 Have you any idea of a source of information
10 of that sort?

11 MR. ELDER: Probably you would need a
12 very large staff of auditors.

13 THE CHAIRMAN: Well, your company's
14 records --

15 MR. ELDER: Probably our sales tax
16 auditor could give you a pretty good idea on that.

17 THE CHAIRMAN: But I have got to take
18 a man who has bought a car, driven it and then
19 turned it in and had another one. He has had
20 repairs; he has bought gasoline and oil and so on.
21 We are always thinking about the capital cost
22 at the time we make it. We say that this cost
23 \$3,000 and that cost \$2,000, but I think we are
24 buying rather irrationally because we don't know
25 what the real cost per mile of servicing is going
26 to be. It involves the rate of depreciation
27 of the car, the amount of repairs, and the cost
28 of the repairs, the cost of replacements and
29
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2 so on.

3 That is why I followed up your remark
4 about the high cost of the bulb.

5 I suppose if I could produce such
6 comparable figures I might be under strong pressure
7 to keep them quiet; but they would be extremely
8 useful in that they are the only basis on which
9 a really intelligent comparison of cost can be
10 made.

11 Well, now, to get to the automatic trans-
12 mission: You aren't quite as optimistic as the
13 last two gentlemen who have appeared before me,
14 who were quite clear that this is something we can
15 make and should make. What you are saying is that
16 we should make some of the components?

17 MR. ELDER: Yes.

18 THE CHAIRMAN: You are really proposing,
19 it seems to me here, the kind of integration with
20 reference to one piece of the car that I have been
21 exploring from the point of view of the whole car?

22 MR. ELDER: Exactly; we can make trans-
23 mission casings, certain gears -- forged and cast
24 gears.

25 THE CHAIRMAN: And you wouldn't be worried
26 about the appalling "dependence on the United
27 States" of an arrangement which permitted your
28 Windsor and St. Catharines and so on firms to be
29 operating at high capacity production of these
30



1
2 goods for their assembly in the United States?

3 MR. ELDER: No. We are told that there
4 is a customs problem in that the part has to be
5 identified when it comes back into this country.
6 We believe this can be overcome. We aren't concerned
7 as to its coming back into the country as long as
8 we take in so many transmission and export so many
9 housings.

10 THE CHAIRMAN: This is very much off the
11 cuff, but I am only beginning to think of the
12 possibilities. You explained that the 25 per cent
13 is again up for negotiation. I suppose we have,
14 at that point, a chance of saying: "We will
15 continue free entry as long as you start buying
16 components"?

17 MR. ELDER: Yes, exactly.

18 THE CHAIRMAN: A very interesting possi-
19 bility. It is my plan that I have been exploring,
20 but broken down into pieces instead of applying
21 it to the whole car.

22 MR. ELDER: This would have to be explored,
23 to be of any use, before October 31.

24 THE CHAIRMAN: I can assure you that
25 although I am anxious about reporting, I am not
26 going to report before August 31!

27 Well, now, on Canadian content. You
28 are worried about items here. Will you be more
29



specific?

MR. ELDER: Yes. I believe you will find that if the General Motors plant, for example, were located at the North Pole and they imported all their components they would charge the transportation cost on those components to the plant as Canadian content; therefore, if their plant were far enough removed from the border they could probably get away without any Canadian material.

THE CHAIRMAN: It would mean a lot of employment for the railways?

MR. ELDER: Yes; therefore, we feel that there are some items -- if the Government of Canada did not wish to have 60 per cent Canadian content they could, perhaps, review the component items which enter into Canadian content. We mentioned some of them in our brief.

THE CHAIRMAN: Let me take it this way. Suppose, instead of General Motors locating at the North Pole, they were buying a component from Windsor ...

MR. ELDER: Yes.

THE CHAIRMAN: ... and taking it to Oshawa, and this was sold to them by an independent producer. Would you consider that they were entitled, as to Canadian content, to the Windsor price or the delivered price in Oshawa?



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2 MR. ELDER: At the present time they
3 are allowed to take the delivered price.
4

5 THE CHAIRMAN: Wouldn't you think this
6 was reasonable? Are you only concerned with em-
7 ployment in Windsor, or about the transportation
8 people?
9

10 MR. ELDER: It depends whether we get down
11 to material content or continue probably on the
12 basis we are at the moment.
13

14 THE CHAIRMAN: Material content? You
15 withdraw wages, then?
16

17 MR. ELDER: Yes.
18

19 THE CHAIRMAN: None of the labour involved
20 in assembly?
21

22 MR. ELDER: It needn't be included. The
23 automotive industry is the only industry which
24 operates on a content basis.
25

26 THE CHAIRMAN: It is the only one which
27 imports free of duty, which suggests that Windsor
28 would be a much smaller place and wouldn't be big
29 enough to employ an industrial commission.
30

MR. ELDER: I think there are items which
could be excluded.

THE CHAIRMAN: But are there some more?
We have had transportation to the North Pole. What
else?

MR. ELDER: I have been told -- and I



1
2 cannot support this, Mr. Chairman, again because it
3 comes from a parts supplier -- that in years when
4 certain automotive producers were low in content
5 they went back to the suppliers and asked them
6 (1) to increase the cost of goods purchased that
7 year, in order to increase their content; and (2)
8 to bill them for the first six months of the
9 following year so that ~~that~~ could be included as
10 content.

11
12 I don't think content regulations were
13 drawn up with that in mind. Perhaps stricter
14 administration of our content would bring about the
15 desired effect. We want more Canadian material
16 and then we will have the wages.

17 THE CHAIRMAN: You don't want more material
18 content to the point where the cost of the car is
19 raised so that you lose production, do you?

20 MR. ELDER: No.

21 THE CHAIRMAN: You keep talking -- all
22 of you keep talking -- well, not all of you because
23 occasionally the farmer comes in -- you keep talking
24 about "we can do it", "we have efficiency," "we have
25 the 'know-how,'" "we are efficient." Then I ask
26 you the question "Have you the volume?" What you
27 really mean is: "We know how; we have the efficiency;
28 and within the limits of the market we can do it;
29 but this means your prices will be higher." And if
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2 they are much higher you are not going to sell so
3 many cars, and if you don't sell so many cars then,
4 no matter what content you hit, you don't sell
5 so many parts. You have got to be awfully care-
6 ful not to be so concerned with "content" that you
7 kill the industry into which the "content" goes.
8 At times you worry me in the way you present
9 this.

10
11 MR. ELDER: Mr. Chairman, I am saying
12 that you will find that there are many parts which
13 can be produced in our present volume in Canada
14 more economically than in the United States.
15 As I have said, I have one or two examples that
16 we can substantiate.

17 THE CHAIRMAN: I should be very happy
18 to hear of such things. It is going to be a little
19 hard to believe that companies which are competing
20 so strongly amongst themselves should refuse to buy
21 a part cheaper and buy it dearer. If this is true,
22 I think we need some psychiatrists to deal with the
23 executives of these three companies rather than
24 any tariff or anything else.

25 MR. ELDER: Mr. Chairman, I am convinced
26 that they are operating at such a high level that
27 they are not acquainted with what the buyer is doing.
28 The parts supplier will come to these companies and
29 say: "We can quote on this particular item."
30



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3 Quite often he is told: "You can't make this . We
4 are bringing it in duty-free anyway. We don't want
5 a price on this part."
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1 Now, if the content starts to slip --
2 and we have always depended on the content -- they
3 then will come back and say you can make this,
4 we want it made here. We have had a man up in Windsor
5 from the central States taking notes and everything
6 else because they cannot produce this same item
7 as is produced in Windsor. We had an item on display
8 at the automobile show which is not produced in the
9 States and everyone was wondering how it was
10 produced, and it is on the free list now and the
11 Americans never learned how to make it.

12 THE CHAIRMAN: You are not exporting it?

13 MR. ELDER: No.

14 THE CHAIRMAN: Why not?

15 MR. ELDER: We run into difficulties exporting
16 to the United States.

17 THE CHAIRMAN: What are the difficulties?

18 MR. ELDER: We have run into other problems.

19 THE CHAIRMAN: If you can produce it cheaper,
20 I mean cheaper by producing more --

21 MR. ELDER: We did that on one item not
22 too long ago, and the argument that is given us in
23 the United States is that "we have this plant already
24 set up, with machinery purchased, men employed.
25 Even though you can produce it more cheaply, we are
26 not going to lay these men off and let the machinery
27 rust. The unions won't let us, among other things."
28 This doesn't apply only to the parts industry.
29 After one shipment went into the United States a quota
30



1 was put on it which completely eliminated the
2 exports to the United States. We run into these
3 problems all the time.

4 Incidentally, I am not usually on the side
5 of the labour unions as such. We had the same
6 problem on another item exported to the United
7 States. U.A.W. was complaining of a purchaser in
8 the United States because they were buying 40 per
9 cent of their requirement in Canada. By getting
10 hold of our own U.A.W. people, Mr. Burt especially,
11 discussions ended up with us getting 50 per cent
12 of the business. We have been successful in helping
13 overcome problems, but not altogether successful.

14 THE CHAIRMAN: Commonwealth and Canadian:
15 the reason that you recommend that the content
16 provision change from Commonwealth to Canadian is not
17 so much because of any present provision but because
18 of the fear that something may happen soon.

19 MR. ELDER: Absolutely.

20 THE CHAIRMAN: And particularly it is concerned
21 with the possibility of what you treat as a desirable
22 event, the assembly in Canada of English cars.

23 MR. ELDER: Yes.

24 THE CHAIRMAN: I don't know if this is a fair
25 question to you, but what amount of content as at
26 present interpreted would be achieved as a result
27 of the simplest assembly of the producers? In
28 other words, if the English import most of their
29 components, that they do assemble here. How much is
30



1 that? -- 25 per cent?

2 MR. ELDER: Not having studied it, probably
3 an absolute maximum of 20 per cent -- an absolute
4 maximum.

5 THE CHAIRMAN: I tried to interest them
6 at the session yesterday about buying tires, and
7 one of the explanations was that it was then more
8 expensive to bring over, they can't drive them to the
9 port. So not only would the tires be dearer, but
10 so would the cars.

11 You urge standardization on the industry.
12 Can you suggest any way by which inducements can
13 be provided, or how do we move to standardization?
14 By edict or by tax inducement, or what? It attracts
15 me, but nobody has yet suggested -- everybody says
16 standardize, but nobody has told me how to get it
17 moving.

18 MR. ELDER: I think by government encourage-
19 ment. Now, encouragement can be by leaving certain
20 items on the free list and removing certain of
21 them from the free list. In Canada every manufacturer
22 uses a different car hinge. I was told by one
23 producer that he said he would set up a plant
24 for that, and he was told that another plant would
25 be set up in opposition and put him out of business.
26 There is tough negotiation for these people when
27 they apply for automatic transmission importations.
28 It leaves a very stiff bargaining club in the hands
29 of the Prime Minister.
30



1 THE CHAIRMAN: I am not much of an
2 automobile manufacturer, but taking the models as
3 they now stand, how much change would be necessary
4 to have a standard door hinge for G.M., Ford and
5 Chrysler?

6 MR. ELDER: I am not an engineer. I couldn't
7 tell you.

8 THE CHAIRMAN: They would have to be
9 re-designed.

10 MR. ELDER: Probably.

11 THE CHAIRMAN: But once you break from this
12 wouldn't this also raise other costs?

13 MR. ELDER: I don't think so. Tires are
14 basically the same, wheels are basically the same,
15 hub caps, spark plugs. I think it could go a
16 bit further.

17 THE CHAIRMAN: And you think that the
18 tariff can be used as the instrument to encourage
19 it?

20 MR. ELDER: To convince them more
21 seriously about this.

22 THE CHAIRMAN: You have to make it more
23 profitable for them to standardize or not to
24 standardize. Here I am displaying my views. I
25 don't think it is any use relying on pleas of
26 goodwill and be good citizens, and so on. I think
27 we have to play the game so that it is more
28 profitable, without, in the process, making it
29 less profitable for the consumer to buy cars, or less
30



1 attractive for the consumer to buy cars.

2 You have a good deal to say about National
3 Revenue, and, as I see it, there are two sets of
4 recommendations really. One is that National
5 Revenue administer the law, and the other is that
6 the government changes the law that National Revenue
7 administers.

8 MR. ELDER: Yes.

9 THE CHAIRMAN: The first set are rather
10 easier to deal with. This was that at the moment
11 there are administrative rules water down what appears
12 to be the intent of the legislation; is that
13 right?

14 MR. ELDER: That is right, sir.

15 THE CHAIRMAN: Perhaps you would just
16 illustrate this, for instance, with reference to
17 the split billing. You would say this is an
18 example.

19 MR. ELDER: Yes.

20 THE CHAIRMAN: And is it your view that it
21 is increasing? Is it changing or is it a condition
22 that has always existed? After all, we have just
23 done something to Europe which has been in
24 existence for 12 years, and we are dealing with
25 something that has been in existence for 12 or more
26 years, or is there a trend towards greater
27 generosity in interpretation?

28 MR. ELDER: I think there has been a trend
29 to more generosity. I think the revenue man can explain
30



1 it more clearly than I can. We allow split billing
2 on some items, we do not allow it on others.

3 THE CHAIRMAN: I suppose I will have to go
4 to school with National Revenue for a while.
5 Those are extraordinarily difficult issues.

6 The other side is the kind of revision,
7 if we start talking of changing legislation. What do
8 you propose here? Do you want to get away from
9 the present class "not made in Canada"? Would you
10 go to the alternative of not making them all dutiable
11 and requiring the manufacturer seeking exemption
12 for particular items for particular periods?

13 MR. ELDER: I think we would, because we
14 have items in Canada which we can't build, and when
15 the legislation was passed we had perhaps 7 million
16 or 8 million people in Canada, and now we have
17 17 million.

18 THE CHAIRMAN: Some of the people who argue
19 this change in the rule are thinking that thereby
20 we would force a greatly increased use of Canadian
21 parts and are concerned about the extra cost.

22 What I suppose I am wondering is whether, assuming
23 that things were exempted where there is a cost
24 disadvantage -- and these are the things now on the
25 free list to a considerable extent -- would the
26 change in requiring a different party to ask for
27 the exemption, the buyer to ask for the exemption
28 rather than the producer be classed as made in
29 Canada, would this give an advantage to guarantee that
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rather more of the things that can be produced, that is to say, at a price competitive with the imports -- would it increase those significantly, or are you really looking for a way of increasing protection and getting more things produced which can't really be produced competitively?

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G-1 1 MR. ELDER: That is the \$64,000 question,
2 I believe.

3 THE CHAIRMAN: I think the reason I asked
4 it is partly not to indicate that one should
5 approach this with different expectations and in
6 the expectation now of getting in on the free list,
7 but on the other hand the thing is of real concern
8 to keep this industry alive and flourishing,
9 and although it will not make all that difference,
10 there are things which we should make and make
11 cheaply that we don't dare try because we get our
12 10 per cent, and so on, and I am asking you if it is
13 put on this less exciting area that you still think
14 it is important.

15 MR. ELDER: I do, sir, yes. I have come
16 across all kinds of items which are on the free
17 list and which at various times are produced in
18 Canada because of their content requirement, and the
19 tooling is made in Canada now for many of these
20 items which are produced in the States. They say
21 we cannot make them in Canada, and we do make
22 the tools and dies and export them to the United
23 States. We need that employment.

24 THE CHAIRMAN: Well, I think that this
25 elucidates the points that I wanted to follow up.
26 I thank you for the admirable presentation, and I
27 can assure you that that it will be given still
28 further consideration.
29
30



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We stand adjourned for today until

9.30 o'clock in the morning when we will start
with the Automotive Parts Manufacturers' Association
(Canada).

--- Whereupon the hearing adjourned at 4.05 o'clock p.m.



CANADA

W. Bladen

ROYAL COMMISSION ON
THE AUTOMOTIVE INDUSTRY 1960

HEARINGS

HELD AT
OTTAWA

VOLUME No.: 4

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OCT 27

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TORONTO, ONTARIO

ROYAL COMMISSION ON THE AUTOMOTIVE INDUSTRY 1960

Ottawa, Ontario,
27th October, 1960.

---Held before Vincent Wheeler Bladen, Commissioner,
at the Parliament Buildings, Ottawa, Ontario.

PRESENT:

| | | |
|-------------------|---|-----------------------------|
| Mr. C.D. Arthur |) | Economic advisers to the |
| |) | Commission |
| Mr. S. Stykolt |) | |
| Miss E. Leitch | | Secretary of the Commission |
| Mr. L.P. Kavanagh | | Administrative Officer |



SUBMISSION OF AUTOMOTIVE PARTS
MANUFACTURERS' ASSOCIATION (CANADA)

Present: Mr. J.C. Armer,
President.

Mr. D.S. Wood,
Executive Vice President
and Manager.

THE CHAIRMAN: Mr. Wood?

MR. WOOD: Thank you, Mr. Chairman.

I was going to introduce Mr. Armer to the assembly here, and I am quite sure he needs no introduction. I am very happy to have him at my right hand as the President of the Manufacturers' Association, the association which embraces those people who manufacture the parts primarily for original equipment.

In making a public statement on behalf of the automotive parts manufacturing industry in Canada we should like to quote from a speech made by Mr. James E. Coyne, Governor of the Bank of Canada, on October 5th, 1960, at the annual meeting of the Canadian Chamber of Commerce at Calgary, Alberta. The people of Canada should have the greatest respect for pronouncements from this source having to do with the economic welfare of Canada. Mr. Coyne, only a few days ago, said "We cannot expect to go on indefinitely buying goods and services from abroad in amounts greatly in excess of our exports, that is, buying on credit on a scale which requires large further increases in

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1 our foreign debt. We must therefore face the
2 prospect of suffering at some stage a major
3 restriction in the supply of goods and services
4 available for consumption and for expansion of
5 capital facilities in Canada, - or else we must set
6 about providing for ourselves an amount of goods
7 and services made in Canada through the employment
8 of Canadians, in replacement of the supply from
9 outside upon which we have been so heavily dependent
10 for the past decade. The sooner we can make
11 substantial progress in this direction, the stronger
12 and more secure will be our economic future and
13 national integrity.' He goes further to say "Our
14 annual average of unemployment amounts to approximately
15 6% of our labour force, and there is unutilized
16 productive capacity in our factories and service
17 industries.

18 'The provision of jobs for those not now
19 employed will, however, only result in an increase
20 of exports or decrease in imports sufficient to balance
21 our international accounts if we make that our
22 national goal and bend all our efforts to that end."

23 "For increased employment to have such a
24 result, the main endeavour, the one with the
25 biggest potential and chief hope of success, must
26 be in the direction of replacement of imports by
27 increased production in Canada to meet our own
28 requirements."

29 "In agriculture, which is still the most
30 important employer in the field of export production,



1 the trend of employment has been downward for years,
2 and with increasing mechanization seems likely to
3 continue to decline.¹¹

4 Employment in other resource industries
5 which provide our major export products is not
6 likely to show a strong upward trend. We naturally
7 hope, and with some confidence, that resource
8 development throughout Canada will continue to
9 grow, particularly in the less developed areas, and
10 that exports will show some degree of growth, but
11 we should recognize that we cannot count upon a
12 sizeable over-all increase in employment in these
13 fields - other than the temporary employment
14 provided when construction of new facilities is
15 being carried on - and certainly cannot count on it
16 reaching anything like the magnitude required to
17 take care of our present unemployment problem or
18 future growth of the labour force.¹

19 Now, in its brief which the Automotive
20 Parts Manufacturers' Association (Canada) submitted
21 first to the federal government and later to the
22 Royal Commission established to inquire into the
23 automotive industry in Canada, we drew attention to
24 the rise in unemployment in the parts manufacturing
25 industry. We traced the history of automotive
26 and automotive parts production in Canada over a
27 period of ten years and showed how the declining
28 percentage of Canadian production of automobiles for
29 the domestic market affected not only manufacturers of
30



1 automobiles and automotive parts, but producers
2 of primary materials as well. In short, the
3 unemployment engendered in the automotive industry
4 is highly cumulative in its effect on many other
5 industries, as well as on many services.

6 In fact we in the parts manufacturing industry
7 have made positive proposals to the government which
8 if implemented would go a long way towards
9 achieving the ends which Mr. Coyne states are
10 necessary for the economic welfare of Canada.

11 The Parts Association attributed the loss
12 in employment in the parts manufacturing industry
13 to the heavy importation of cars from the United
14 Kingdom and Europe. Imports from the United Kingdom
15 in particular were and still are rising rapidly
16 at the expense of the Canadian automobile industry
17 as British cars were and still are free of customs
18 duty and were undervalued for sales and excise
19 tax purposes. Twenty-five years ago we exported
20 30% of our production but now it is imports of
21 foreign cars that account for one-third of our
22 domestic consumption.

23 We note with considerable gratification
24 that the Department of National Revenue has
25 corrected the value for duty and taxes of auto-
26 mobiles and replacement parts. This is a proper
27 move and we urge the government to strongly resist
28 any proposals by affected parties to restore the
29 previously incorrect values for duty and taxes.
30



1 This is the condition that exists today
2 and for the foreseeable future in the Canadian
3 automotive and parts manufacturing industries. The
4 pressure is indeed stronger for the United Kingdom
5 and European car manufacturers to sell more cars in
6 Canada for they are facing more competition in the
7 United States where all must also hurdle an 8½%
8 tariff. The "Automotive News" published in Detroit,
9 issue of September 26, 1960, in a feature article
10 headed "Foreign Auto Firms face crisis over U.S.",
11 says in part - 'the fall in exports to the United
12 States has led to reduced orders, production cuts
13 and lay-offs in some countries, and a stepped-up
14 campaign to develop increased sales in export markets
15 outside the U.S.A." Elsewhere in the article it
16 states - 'In Canada this year, to the end of
17 July, British car sales have gone up from 30,000
18 to 60,000.' And why shouldn't they so long as
19 the Canadian automotive market remains completely
20 unprotected against British exports.

21 The Parts Manufacturers' Association has
22 not simply entered a protest against this
23 competition. On the contrary we suggest that
24 incentives be provided for car manufacturers to
25 produce cars with a high Canadian content thereby
26 providing increased employment of Canadian labour
27 and materials. The method we proposed was one of
28 progressive excise tax exemption based on a
29 progressive achievement of Canadian content, coupled
30



1 with a preferential duty on British cars and an
2 increase in the low rate of duty on cars from
3 most favoured nations.

4 We have been informed that this proposal
5 is not possible under GATT. If such is the case then
6 GATT must undergo a very critical examination, for
7 of what value is GATT to Canada if a slavish
8 adherence to its principles costs us a major manu-
9 facturing industry, employing thousands of workers.

10 But we believe that our proposal is legal
11 under GATT. We are proposing that a flat 15%
12 excise tax be applied to all new automobiles sold
13 in Canada, Canadian produced and foreign alike. Then
14 we suggest a reduction of 50% in the excise tax
15 provided the automobile company achieves a prescribed
16 measure of Canadian content in the car it markets
17 in Canada. We go one step further and suggest that
18 the excise tax be eliminated altogether if the
19 automobile company achieves a higher prescribed
20 measure of Canadian content. We maintain that our
21 proposed excise tax schedule, coupled with the
22 Canadian content requirement, applies indiscriminately
23 to all countries including Canada.

24 We suggest that the excise tax/Canadian
25 content proposal is not one to be dismissed
26 without giving it full consideration. It should be
27 studied at its face value, as an honest attempt to
28 maintain and promote employment in this country.
29
30



1 In this public statement, Mr. Commissioner,
2 I have made some reference to Australia which I
3 don't think adds particularly to our remarks, and I
4 am deleting it from this particular feature.

5 Now, in the field of tariffs we have
6 maintained that along with the excise tax/Canadian
7 content proposal there should be a customs duty placed
8 on cars and automotive parts from the United Kingdom
9 and that the duty on cars imported from most favoured
10 nation countries should be increased. The
11 Association is of the opinion that the combination
12 of these two proposals would place our automotive
13 and automotive parts manufacturing industries in a
14 healthy position where they could compete on a
15 more practical basis with the imports from other
16 countries. In this connection it is noteworthy
17 that no automobile producing country in the world
18 admits automobiles free of duty as does Canada.

19 In addition to these principal proposals we
20 also recommended in our brief certain changes in
21 the automotive tariff schedules which we are
22 convinced will be instrumental in developing more
23 manufacturing and employment in Canada. The change
24 of the term "Commonwealth content" to "Canadian
25 content" is without question the most important of
26 these.

27 Other proposals could undoubtedly have been
28 made and we could have spoken at great length about
29 the importation of automotive parts alone. However,
30

、34、35、36



1 we have no doubt that if our present tariff,
2 excise tax, and Canadian content proposals are
3 adopted we would have little need for concern over
4 the importation of parts. We emphasize the fact that
5 it is the continued and increasing importation of
6 automobiles which is most damaging to the parts
7 manufacturing industry in this country. It is for
8 this reason that we recommend that the problem be
9 attacked at the source and that incentives such as we
10 propose be provided to produce cars in Canada rather
11 than importing them so freely from other countries.

12 We also suggest, Mr. Commissioner, that it
13 is necessary to examine the problem in its proper
14 perspective, and one perspective is an area where
15 differences of opinion exist between individual parts
16 manufacturers and their customers. It is what we
17 now call the area of irritation. Speaking for the
18 parts manufacturing industry as a whole, we believe
19 that such differences of opinion should be the
20 subject of negotiations between the parts manufacturer
21 and his customer. It has been the experience of our
22 more successful parts manufacturers that forthright
23 discussion with the customer has created an
24 atmosphere of mutual respect which has led to the
25 solution of the differences to both the short and
26 long-term advantages of each party.

27 It is with these comments that the Association
28 replies to many of the charges that have been made
29 this week before this Commission. We do not believe that
30



1 a public attack on this area will solve the real
2 problem, and we do not intend to expend our energies
3 on side issues. The real problem is in the area of
4 imported cars. Let's take heed of the **perspective**,
5 because when a car is imported we, as parts
6 manufacturers, lose 100 per cent of the parts that may
7 go into the production of that car, as well as the
8 maintenance parts that follow. If we solve the
9 problem of the imported car along the lines we propose,
10 I don't think we will need to be too much concerned
11 about the parts.

12 Thank you, Mr. Commissioner. I am at your
13 service.

14 THE CHAIRMAN: Thank you, Mr. Wood.

15 I am particularly interested in your last
16 statement, and I rather think you might like to say a
17 word about the perhaps misleading statement by the
18 Province of Ontario.

19 MR. WOOD: I would be very happy to.

20 THE CHAIRMAN: The suggestion was that
21 certain remarks in their brief in regard to the
22 releasing system were put in at the request of your
23 Association. I understand that is incorrect.

24 MR. WOOD: That is not correct, Mr. Commissioner;
25 we did not request that that be put in by our
26 Association. I do believe that the Province of
27 Ontario, in preparing their brief, discussed problems
28 freely with the individual parts manufacturers, and
29 it is quite possible that they would have picked up
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1 certain questions in the area -- I believe you have
2 used the term "beefs" rather than items that might
3 be the subject of our brief.

4 Now, I have no doubt that where there is
5 smoke we may have a bit of fire, but, speaking for the
6 industry as a whole, the area is one where the parts
7 manufacturer has complete freedom to discuss with his
8 customer. There is no earthly reason why he should
9 not discuss it with his customer -- you are speaking
10 of the release time -- and we in our Association
11 discussions on the problems facing the industry did
12 not even have that one brought forward as an industry
13 problem, and we wouldn't dignify it to the extent of
14 even commenting on it in our own brief. We recognize
15 it as a side issue of no real importance to the main
16 problem before us.

17 THE CHAIRMAN: You don't want to comment on
18 it now?

19 MR. WOOD: It is not worthy of comment,
20 Mr. Commissioner.

21 THE CHAIRMAN: It was a matter of some
22 amusement to me that in your remarks you left out a
23 paragraph or so which were included in the mimeographed
24 version which I studied last night along with the
25 brief, namely, those dealing with Australia. Clearly
26 I have to look at Australia as an example of a
27 small country that has built up its automobile
28 industry, but I would be interested to explore with
29 you the cost of building it up.
30



1 MR. WOOD: Of building up the industry?

2 THE CHAIRMAN: Yes. You say: "Australia,
3 like Canada....", and so on, "that Australia has
4 taken active steps to promote its own automotive
5 industry. This has been achieved in the main by a
6 tariff of 25% on cars imported from the United Kingdom,
7 27½% on cars imported from Canada, and 35% on cars
8 imported from most favoured nations." This is a
9 pretty high protection, isn't it?

10 MR. WOOD: Definitely.

11 THE CHAIRMAN: Were you here when Mr. Gleave
12 was here?

13 MR. WOOD: Yes.

14 THE CHAIRMAN: Will you be here when the
15 Co-operative wheat producers come?

16 MR. WOOD: I certainly hope so.

17 THE CHAIRMAN: Do you think I shall have
18 an easy time when I suggest to them that tariffs
19 of this level should be imposed on cars in Canada?

20 MR. WOOD: I don't suppose you will have an
21 easy time with any opposing factions, Mr. Commissioner,
22 any more than they will have with you.

23 THE CHAIRMAN: Suppose we went along with
24 this. Have you any idea what the price of a car
25 in Australia is?

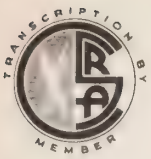
26 MR. WOOD: Yes, I have, and I think it is
27 much higher than the price of a similar car in
28 Canada. I say a similar car because I do believe we
29 have some Australian made cars which are more along the
30



1 line I suppose of what has been happily called the
2 Beaver. Apparently that does sell quite well in
3 Australia, but I don't know the price of the car.

4 THE CHAIRMAN: I was looking today at the
5 price of Fords. I keep showing my ignorance, and
6 some people may be able to correct me very quickly,
7 but taking the Fords less sales tax in Australia
8 and the Fords less excise and sales tax here, my
9 calculation was that the Australian Ford was 50%
10 higher than the Canadian Ford, which in turn was
11 some 18 to 30% higher than the American Ford. This
12 is what worries me when I think of the political
13 feasibility of proposals that would give protection
14 of the level you are talking about.

15 MR. WOOD: I think it should worry you,
16 and it should worry all of us. I am going to say
17 this here, that we have already seen evidence of
18 some Canadian government action on value for duty.
19 Now, I am not saying this to anticipate a question
20 of yours, Mr. Chairman, because I think it is
21 the appropriate time to bring it in; I am quite
22 sure you would put the question dealing with the
23 price of imported cars, the effect of tariffs on
24 cars. We believe first that the action taken by the
25 Canadian government in re-assessing the value for
26 duty is a proper one, and we believe that it is a
27 real step in enabling us to modify to a certain
28 extent our tariff proposals. We had no thought that
29 the government would take step when we placed that
30



1 brief first before the government and secondly before
2 your Commission. It is a very important step, and
3 so far as we are concerned, it would lead us to --
4 and I have to speak to you off the cuff here --
5 it would lead us to re-assessing our statements on
6 tariff protection to the point where it is doubtful if
7 we would suggest further protection against most
8 favoured nations. We do still need some protection
9 against cars from the United Kingdom. But keep in
10 mind that we still couple this matter of tariff
11 protection with our excise tax/Canadian content
12 proposals. So you must be able to look at it in a
13 package to be able to appreciate what we are proposing
14 in tariffs.

15 THE CHAIRMAN: I am very happy to hear
16 your response to this recent ruling, and I think it
17 might be reasonable for me to ask that your
18 Association some time in the next few weeks submit
19 any revision in the views of necessary tariffs, on
20 the tariff adjustments that you are asking in the
21 light of these rules.

22 You see, my worry is not only the worry for
23 the farmer who pays \$5,000 for his Ford but also
24 for the parts manufacturers. You might exclude the
25 imported cars but also reduce the population of
26 cars on the roads, and at \$5,000 for a Ford the
27 sales of cars would be very markedly lower. You
28 could kill your industry by protection.

29 MR. WOOD: If we could go back to the statement
30



1 I have made which would hold the protection on
2 the most favoured nation at least to the present
3 level, I think we could fairly say that the cost of
4 cars produced in Canada should not be higher than
5 they are today, all other conditions being equal,
6 such as conditions we cannot foresee, fluctuations,
7 price changes, and so on.

8 THE CHAIRMAN: Even with the increased
9 excise tax?

10 MR. WOOD: Yes, even with the increased
11 excise tax, and combined with the increased content,
12 we see no reason why the Canadian produced car should
13 be more expensive than it is today.

14 THE CHAIRMAN: Why? How can you require
15 increased content and keep the cost down? How can
16 you keep the price down when you increase the
17 competition of the imported car?

18 MR. WOOD: I am not necessarily eliminating
19 the imported car.

20 THE CHAIRMAN: Restrict it?

21 MR. WOOD: Yes. But keep in mind we have
22 combined excise tax with our Canadian content proposal.
23 It is our submission that, given the cushion of
24 excise tax, the car manufacturer has an area to
25 compensate for the possible or, in some cases,
26 probable increased cost of the Canadian-made part to
27 such an extent that there is no excise tax saving to
28 be passed on to the consumer. He will not be worse
29 off than he is now, but the price of the car he will
30



1 buy under our proposals need not be more expensive
2 to him.

3 THE CHAIRMAN: But the price of the car he
4 bought instead of the imported car might have been
5 raised.

6 MR. WOOD: It will have been raised.

7 THE CHAIRMAN: And the possibility that the
8 price of the domestic car will be increased, if not
9 by the whole amount of this, by a considerable amount.

10 MR. WOOD: I am not prepared to accept that
11 conclusion.

12 THE CHAIRMAN: To what extent is the industry
13 pricing up to its protection?

14 MR. WOOD: I am not prepared to answer that.
15 I think that should be properly answered by the
16 automotive companies.

17 THE CHAIRMAN: The price of the car in Detroit
18 and Windsor, the same car.

19 MR. WOOD: I still think the answer should
20 come from the automobile companies. I am not avoiding
21 it, but simply I don't care to answer a question
22 where I simply don't have the facts.

23 THE CHAIRMAN: But you realize that the
24 danger is that your excise tax is going to raise the
25 cost of the domestic car because it has to put more
26 Canadian parts in than it would more freely buy.

27 MR. WOOD: Keep in mind, though, that the
28 removal of excise tax also gives a compensating
29 reduction in the price of a domestic car to compensate
30



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1 for the extra cost of Canadian parts -- not to the
2 imported car true, but it is the imported car that
3 we are trying to effect production of, we want this
4 car produced in Canada.

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2
3 THE CHAIRMAN: Exactly, but you are trying
4 to make me think that a domestic excise tax is not
5 protective, and with respect to this other business
6 you are trying say it is legal under GATT.

7 MR. WOOD: I am not saying it is not pro-
8 tective. I am prepared to say in this particular
9 case that it is.

10 THE CHAIRMAN: How can we, under GATT,
11 put on another tariff?

12 MR. WOOD: All I can say is this, that
13 when this came up for discussion in the caucus of
14 the parts industry I, for one, insisted that it be
15 thoroughly investigated to see whether or not it was
16 correct and proper under GATT, to the extent that
17 our president had the advantage of discussions with
18 the Secretary General of GATT, Mr. E.W. White,
19 who after careful discussion of the situation said
20 that in his opinion it could be done under GATT,
21 but it would have to be the subject of negotiation.
22 We have been prepared to rest on that opinion in
23 putting it forward to you.

24 THE CHAIRMAN: The fact that Australia
25 was able to do it does not give any real hope,
26 because they had very special problems in regard
27 to balance of payments.

28 MR. WOOD: Yes, and I thought in preparing
29 this public statement that we might have taken a
30 bit more comfort out of the Australian position,



1
2
3 but I purposely did not make that statement today
4 because I do not think there is much comfort to be
5 derived from it.

6 THE CHAIRMAN: Now, I go along with you
7 in one thing, at any rate, that everything has to be
8 explored thoroughly. I am extremely sceptical in
9 spite of that statement by the GATT officer, but,
10 perhaps again, this is a case where you might give me
11 some extra information; I do not mean here, but
12 perhaps you can send it to me. I think it is im-
13 portant to have a statement of the form in which
14 the proposal and the argument for it was presented to
15 GATT, because when somebody says: "Yes, this is
16 possible under GATT", one wants to be quite certain
17 that one knows what "this" is. So, to permit the full
18 examination which is required would you let me have
19 as full a statement of this discussion with GATT
20 as possible?

21 MR. WOOD: Let me say this at this stage,
22 Mr. Commissioner; we did not undertake the functions
23 of the Canadian Government in making a formal
24 presentation to Mr. E. W. White. Let us say
25 that it was a happy circumstance that Mr. Arner
26 was at a meeting of the International Chamber of
27 Commerce, and having met Mr. E. W. White on a
28 number of occasions, he had this verbal discussion
29 with him. There was nothing put in writing,
30 and we have taken it at its face value. I do not



1
2
3 think there would be any point in my trying to place
4 before you a written statement, which does not exist.

5 THE CHAIRMAN: This is the worry, you see.
6 At a cocktail party one can misunderstand.

7 MR. ARMER: This was not at a cocktail
8 party, sir.

9 MR. WOOD: Let me say, Mr. Commissioner,
10 that we are, quite frankly, as a parts industry
11 groping for any means which will permit automobiles
12 to be produced in Canada without adding to the
13 cost to the Canadian consumer. We firmly believe
14 that competition within the industry, which is very
15 severe if not, perhaps, bitter, will do as much as
16 anything to keep that price down.

17 THE CHAIRMAN: It is awfully hard for any-
18 body who has knowledge of economic history to accept
19 the view that you get prices down by protecting the
20 industry.

21 MR. WOOD: Well, I can only speak from
22 experience in one other industry with which I have
23 been associated. Perhaps I should not comment on
24 it at too great length, but I know that in the steel
25 industry in Canada the steel industry in its many
26 forms of steel is not taking, and has not for some
27 years taken, full advantage of the protection that
28 it has.

29 THE CHAIRMAN: I congratulate you.
30



1
2 I was going to ask them later in the morning how
3 they manage it.

4 MR. WOOD: It is because they are a very
5 efficiently operating industry, Mr. Chairman.

6 THE CHAIRMAN: You argue for increased
7 Canadian content?

8 MR. WOOD: Yes.

9 THE CHAIRMAN: When you ask: Can
10 "Commonwealth content" be changed to "Canadian
11 content" is this to meet a present worry, or is this
12 to protect against an eventuality which you see is
13 coming closer?

14 MR. WOOD: I would say it is the latter,
15 to protect against an eventuality which is quite
16 possibly much closer than we realize.

17 THE CHAIRMAN: In other words, we gave
18 this privilege at a time when we did not think it
19 meant anything, and it is now getting a little
20 worrying?

21 MR. WOOD: We gave this privilege at a
22 time when I think it is fair to say the Canadian
23 Government had its tongue in its cheek..

24 THE CHAIRMAN: If you go to Canadian
25 content, then how far do you think you can go?

26 MR. WOOD: I think the proposal that we
27 have made is not in the slightest unreasonable.
28 You will notice that in combining the Canadian
29 content with excise tax on a progressively declining
30



1
2 scale we take the present excise tax with the present
3 content without change, and we say that the auto-
4 mobile companies could, to achieve the complete
5 elimination of the excise tax, go up to -- it is
6 mentioned in the brief at page 24 -- 70 per cent.
7 Now, we have heard from some of our automobile
8 manufacturers here. One or two have commented on
9 content. I think it is quite fair to say that is
10 not an onerous level for them to achieve. One of the
11 companies here -- one of the smaller ones -- indicated
12 they were already up to almost 60 per cent, and
13 their acquired achievement is 50 per cent.

14 THE CHAIRMAN: Perhaps with the new
15 protection we could ask for 70 per cent without
16 bothering about this excise tax reduction?

17 MR. WOOD: Probably it is not as simple
18 as that. I would not be prepared to say. We
19 have, as I say, given you a package proposal after
20 a great deal of thought --

21 THE CHAIRMAN: You have given me a package
22 proposal, but I have to give a package proposal to
23 the Government but it has got to be a package from
24 which they can take bits. They may take nothing
25 that I suggest, but it is incredibly unlikely that
26 they will take the whole package, so I must be
27 able to break up my package into little packages.

28 MR. WOOD: In making our content proposals,
29 Mr. Commissioner, we have to keep in mind that we
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2 are part of an automotive industry, and we must live
3 with that industry, and if we price our customers out
4 of the market we are not going to be in the market
5 either.

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THE CHAIRMAN: Now you are talking my
7 language.

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MR. WOOD: Thank you. The point is that if
9 we do not see this thing in its practical sense,
10 then going back to perspective there is no point in
11 our proposing a high content -- a 100 per cent
12 Canadian automobile -- if that automobile is going
13 to be uneconomic to sell in Canada, because we just
14 simply will not make the parts for it because we
15 just simply will not sell the car.

16

THE CHAIRMAN: In other words, you recognize
17 that to get increased content means increased cost,
18 and this is all tied to the matter of volume?
19 I suppose, really, I come back with you to the
20 questions I was asking the automotive companies:
21 How far away from the kind of volume that you need
22 are you? You see, you reduce imports -- suppose
23 we get rid of half the present imports this will
24 give you a very small market, but is this the sort
25 of market with which you can live, or how much bigger
26 market is it that you need before you smile, to use
27 the phrase of Monday?

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MR. WOOD: I am not going to evade your
29 question, Mr. Commissioner, but I would like to think

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1. The first part of the document is a letter from the President of the United States to the Congress.

2. The second part is a report from the Secretary of the Treasury on the state of the Union.

3. The third part is a report from the Secretary of the Navy on the state of the Navy.

4. The fourth part is a report from the Secretary of the War on the state of the War.

5. The fifth part is a report from the Secretary of the Interior on the state of the Interior.

6. The sixth part is a report from the Secretary of the Agriculture on the state of the Agriculture.

7. The seventh part is a report from the Secretary of the Commerce on the state of the Commerce.

8. The eighth part is a report from the Secretary of the Education on the state of the Education.

9. The ninth part is a report from the Secretary of the Health on the state of the Health.

10. The tenth part is a report from the Secretary of the Labor on the state of the Labor.

11. The eleventh part is a report from the Secretary of the Finance on the state of the Finance.

12. The twelfth part is a report from the Secretary of the Public Works on the state of the Public Works.

13. The thirteenth part is a report from the Secretary of the Public Health on the state of the Public Health.

14. The fourteenth part is a report from the Secretary of the Public Education on the state of the Public Education.

15. The fifteenth part is a report from the Secretary of the Public Labor on the state of the Public Labor.

16. The sixteenth part is a report from the Secretary of the Public Finance on the state of the Public Finance.

17. The seventeenth part is a report from the Secretary of the Public Works on the state of the Public Works.

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2 about it for a while, because when dealing with
3 parts to go into an automobile you cannot generalize
4 too far. There are certain parts which we can
5 produce economically with a volume of a few thousand,
6 but other parts we may not be able to produce
7 economically if we had a volume of 50,000.

8 THE CHAIRMAN: Of course, I ought to
9 have available information about not parts in general
10 but about the different kinds of parts, and the
11 volume necessary in these cases for economical
12 production. Surely, I have to find a distinction
13 between the parts that require a very big volume,
14 and the parts that do not require a very big
15 volume.

16 MR. WOOD: I must generalize to an extent,
17 sir, but when you come down to specifics I would
18 say that in the main the parts that are going to be
19 most difficult to produce economically will be
20 those that require the most expensive tooling for
21 which the tools must be amortized over a prescribed
22 number of parts. That is a generality, but then
23 I do agree with you that you would need to probe
24 further into the plants and operations of individual
25 parts manufacturers and automobile companies to
26 determine which parts, or even which classes of
27 parts, can be economically produced in this country,
28 given a volume of automobiles.
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2 THE CHAIRMAN: It is even what volume in
3 each case, because if I am going to be asked to
4 promote the industry it is easier for me to recommend,
5 and for me to sell, to the farmer that part of it
6 which can operate economically in this small
7 market and where there are no or little extra
8 costs, but it is much harder for me to recommend or
9 sell to the farmer that part of the industry where
10 only very high volumes can bring me within shooting
11 distance of costs that we can face.

12 MR. ARMER: Might I interject something,
13 Mr. Commissioner?

14 THE CHAIRMAN: Yes.

15 MR. ARMER: We have now a list of parts
16 which are free of duty and of a class or kind not
17 made in Canada. Those are the parts that years ago
18 were carefully studied within the industry by the
19 automobile companies and the parts manufacturers.
20 Now, to be sure, with the changes in automobiles,
21 there are changes in the character of those parts --
22 changes in the design of the automobile. But,
23 there you have right in the present tariff structure
24 a long list of parts which are free of duty on the
25 basis that if they were made in Canada, sufficient
26 employment would not be given to Canadians to
27 warrant their higher cost.

28 THE CHAIRMAN: Of course, this gives me
29 part of my answer, although I had thought there was
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2 a complaint that many things were kept in the class
3 or kind not made in Canada that should now be
4 ruled as made in Canada or would be made in Canada
5 if certain disadvantages were removed, but just let
6 me not argue that for the moment. What I really
7 wonder is whether you could provide -- I do not mean
8 now, but provide to us -- information about parts,
9 both those about which there is no question and
10 those that are ruled in the class or kind not made
11 in Canada, and which, perhaps, should not be, to
12 give us some idea of the scale or the volume of
13 production which is necessary for economical pro-
14 duction?

15 MR. WOOD: I would certainly undertake to
16 do so, Mr. Chairman. We have facilities for
17 checking on that. I would also like to give you
18 the opportunity of seeing these particular plants
19 and individuals.

20 THE CHAIRMAN: In doing that may I say --
21 as one of my old students I suppose I can use this
22 horrible technical gobbledegook -- we are interested
23 in which of these parts are labour intensive.

24 MR. WOOD: Very good, sir.

25 THE CHAIRMAN: Now, this problem of volume
26 in turn involves in part the number of cars, but we
27 have been exploring other aspects of it. It
28 involves also the variety of models, and I am
29 wondering whether from your "parts-eye" view of
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2 the industry you see opportunities for standardization
3 which can be included by the automobile manu-
4 facturers and which could promise lower cost of
5 automobiles in general, and also a greater opportunity
6 for parts manufacturers in a small country?

7 MR. WOOD: I think that is an area that
8 should be studied, Mr. Commissioner. We have,
9 frankly, as an industry not approached that thought,
10 possibly because we did not think there was much
11 opportunity for success, but possibly as a result
12 of these public hearings the industry itself --
13 and it is up to the customer -- may want to seek
14 those opportunities for standardization mainly,
15 I suppose, in functional areas where design is not
16 a feature.

17 THE CHAIRMAN: The door hinge was suggested
18 to us by one of the unions, I think.

19 MR. WOOD: The door hinge to me might be
20 part of the design feature in many cars, and I do
21 not think it would lend itself to standardization,
22 unless we are going to have a "Beaver".

23 THE CHAIRMAN: That was one of the worries
24 I had. You have not, as an association, made any
25 study of the organization of the English industry
26 from this point of view?

27 MR. WOOD: No, sir, we have not.

28 THE CHAIRMAN: If I get to England, as
29 I may, I think this is one of the aspects I shall
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2 have to study -- the extent to which with a smaller
3 volume of car production by a firm the economies
4 of large scale car production are secured because
5 of the production of standardized products by a
6 parts manufacturer.

7 MR. WOOD: I have reason to believe there
8 is a great deal more standardization in the United
9 Kingdom, as I do know personally of two or three of
10 the large parts firms in England, but whether it
11 is part of the native philosophy, if you like,
12 I do not know. There may be standardization
13 more through necessity than anything else. That
14 may be a factor. It may be that we are in that
15 realm of necessity now.
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3 THE CHAIRMAN: When it comes to inducements,
4 the great inducement is, to make it clear, you can then
5 supply parts much cheaper to them all if they all
6 take the same thing?

7 MR. WOOD: That is right, and I think in
8 some cases anyway you will get into engineering
9 design, and at the risk of opening a new subject
10 which I don't know much about, I suppose if the
11 parts maker were to come up with a new design on a
12 functional part which did not affect the design of
13 the car but which offered substantial cost savings
14 to any of the automobile manufacturers and they
15 could adopt it without sacrificing the features of
16 their automobile, I would think they would be very
17 happy to accept it.

18 THE CHAIRMAN: Do you have any views on
19 the automatic transmission?

20 MR. WOOD: The views I have, Mr. Commissioner,
21 are based on discussions -- and may I say these are
22 not my views -- I should say the views we have are
23 based on discussions; we have had very serious dis-
24 cussions with the automobile companies with a view
25 to seeing when they would be ready to go into
26 Canadian production on automatic transmissions,
27 which we would so deeply love to see, but we must
28 well keep in mind that they have the problem of
29 producing a car economically in this country. The
30 automatic transmission is a very expensive feature



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3 a car and they are probably being used now on anywhere
4 from 65 to 70 per cent of the North American type
5 automobile, and because it is a very involved piece
6 of mechanism, I think there are many of the
7 parts we could make economically here in Canada.
8 We understand that the automobile companies have
9 not resolved themselves in standardization even
10 in their own companies, and without that the market
11 in Canada -- we have been led to believe -- would
12 be too small to warrant complete tooling up for the
13 transmission here. It is possible they may get
14 into areas of assembly and that, I would have no
15 doubt, they are studying.

16 THE CHAIRMAN: You noted, perhaps, a
17 suggestion of the Windsor members that we have a
18 bridge; some integration with reference to auto-
19 matic transmissions and that we continue to accept
20 transmissions free as long as long as they include
21 some Canadian content. Now, does this strike you
22 as a possible --

23 MR. WOOD: I suppose it is possible,
24 like many of these proposals which have some
25 practical feature about them, that it is possible,
26 and I think you get down to straight commercial
27 selling, and I would say this: That if some of
28 our parts makers which produce parts and if they
29 could get the automatic transmissions and produce
30 them economically and if they have a market in the



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3 United States, then they should tap that market and
4 go after the business and not wait for it to come to
5 them, but go after it, and some of our parts makers
6 haven't been slow in going after that type of
7 business.

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9 THE CHAIRMAN: It would be made a little
10 easier for them if we continued free import on trans-
11 missions and depending upon the success of our go-

12 MR. WOOD: We have made it easier for them,
13 no doubt, but the matter there I think is one of
14 timing as it is with so many of our parts being
15 produced in Canada as against being imported. How-
16 ever, we still come to our old bugbear of volume
17 and we come to what we can call the break-in
18 point, and that is what we are searching for now.

19 What is that break-in point? We don't know yet
20 what that break-in point is. We do know that somehow
21 or other when you begin to approach it, certain
22 companies begin to itch a bit and they want to be
23 first, and possibly it is good business that is in-
24 volved there, it is human, and so they break in
25 and start to produce parts in Canada to meet the
26 growing market, if it is growing.

27 THE CHAIRMAN: I will come back to this,
28 but I would like now to ask you about the tariff
29 schedule. Do you think the present form whereby --
30 that the class or kind provision in it is satisfactory,



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3 or would you prefer a revision of the free list
4 for certain parts being negotiated?

5 MR. WOOD: I think there is room for
6 revision, Mr. Commissioner. I think the tariff
7 schedule as we have it now -- one, incidentally,
8 that was created through the combined efforts of
9 the parts industry and the automotive industry and
10 one that really has continued through the combined
11 discussions of these two groups -- as they must
12 both live with it -- should be revised. I think
13 there are areas where it could be trimmed down;
14 items that are actually capable of being made here
15 or even are being made here.

16 THE CHAIRMAN: I am not thinking so much
17 of particular items, but of the character; at
18 present the manufacturer must show it is of a class
19 or kind made in Canada.

20 MR. WOOD: The manufacturer of the part
21 must show?

22 THE CHAIRMAN: Yes. Suppose we put it
23 around the other way and say there was a duty on
24 parts, an automobile manufacturer could ask for
25 specific parts to be for the time being put on the
26 free list as, for instance, automobile transmissions;
27 do you think this would eliminate some of the beefs
28 we have been hearing about?

29 MR. WOOD: It would eliminate some of the
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3 beefs that you will hear about; it would encourage
4 certain production which is not now here to a
5 small extent. I doubt if it would mean very much
6 from a dollar point of view on production in this
7 country because, first, we have been living with the
8 schedules as they are now, in which the parts manu-
9 facturer must prove -- and don't forget that the law
10 is what he operates under, and under the law --

11 THE CHAIRMAN: I am talking about
12 changing the law.

13 MR. WOOD: But under the present law he
14 must be positive and not negative. Now, we have been
15 living with it, both sides of the industry, for
16 many years, and I think before making a change
17 in that law it would be desirable to have the
18 factions in the industry get together to propose
19 what changes should be made to get it off on the
20 right foot.

21 THE CHAIRMAN: But nevertheless, isn't
22 it worth thinking a bit about it even outside this
23 caucus of the industry. Are there not some rather
24 peculiar obstacles to entry involved in the present
25 requirement which you must show -- you have 10 per
26 cent of the market, but more than one customer?

27 MR. WOOD: That is right.

28 THE CHAIRMAN: But you have to start off
29 before you get them. There is no way of starting
30 and showing that you can do it and offering it at



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3 such a price and then saying all right, now you ask
4 for this free. Does this constitute an obstacle
5 to entry? I would be worried if my suggestion
6 were thought of as let us get a high tariff on all
7 these parts and nothing will be free. Protection
8 can kill your industry, and possibly this form of
9 protection is stifling at birth a possible lusty
10 infant.

11 MR. WOOD: It is possible, Mr. Commissioner,
12 that it is stifling at birth some possible lusty
13 infant. It is a difficult thing to answer. I do
14 know, for example, on parts that are not made here
15 that would be made here if the tariff already existed;
16 that in part answers your question. They are not
17 particularly important parts, dollarwise, the ones
18 that I am speaking of that I know about, but I have
19 been approached by parts manufacturers in other
20 countries to ask for advice on establishing a parts
21 plant in Canada. We got into a discussion on
22 tariff and I explained what the tariff situation
23 is free of duty; it is not made in Canada. What
24 do we have to do to get the duty put on? We
25 produce it here and produce 10 per cent of the
26 market and at least have more than one customer.
27 Even the latter part is open to question. It
28 is conceivable you might get by on one customer
29 and they are somewhat discouraged, so I would
30 say that the approach would be one of more



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periodic review -- and not too distant periods --
because our industrial complex can change; it
may improve, and as they climb over industrial
expansion improves and more people would want
to come to Canada to produce more parts, and
that is what we want them to do.

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3 We think our Canadian content proposal
4 would be a factor which would have to be coupled
5 with this made in Canada, because if we give the
6 automobile manufacturers an incentive to buy more
7 parts in Canada, than they will themselves encourage
8 parts makers to come here as they have done in the
9 past.

10 THE CHAIRMAN: On the whole, you are
11 relatively content with the existing form of the
12 legislation?

13 MR. WOOD: Let me say that that isn't an
14 area where we would smile, but we are living with
15 it and there is room for improvement.

16 THE CHAIRMAN: Do you suggest a periodic
17 review of the particular items under that legislation,
18 or would it be better to make a different set of
19 regulations operating from the other end, operating
20 at the point where the automobile manufacturing
21 industry has to ask for things to be put on the free
22 list, including the proof that that was now being
23 made in Canada?

24 MR. WOOD: Whether we prove we can
25 make it or they can prove they cannot get it?

26 THE CHAIRMAN: Yes.

27 MR. WOOD: I think the results achieved
28 would be the same; we would still have to get down
29 to a discussion of the factors involved and I don't
30 know that it would make very much difference in the



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3 ultimate result provided we have the facilities
4 for, say, a periodic review, which we frankly
5 haven't negotiated. I don't mean we as an industry,
6 but nobody has negotiated. It might well be a
7 move forward in the right direction for the depart-
8 ment administering the made in Canada provisions
9 just as that time is coming, and let us look at
10 some of these old rulings now.

11 THE CHAIRMAN: You have read the Globe
12 and Mail or you have been attending these hearings
13 and realize that I talk a lot about a plan of
14 integration. Have you any views from the point
15 of view of the parts manufacturers about any
16 proposal whereby we thought of this Canadian content
17 with reference to the continental production
18 rather than with regard to the Canadian production?
19 Do you mind whether the Canadian-produced wheel
20 is rolling in Canada or in Mexico?

21 MR. WOOD: I am not sure I follow your
22 question properly, Mr. Commissioner, because I think
23 you have posed it in two or three different ways
24 elsewhere. I want to answer, and would you care to
25 re-phrase it for me?

26 THE CHAIRMAN: What I had in mind is
27 that there are many proposals of this sort,
28 and one of my colleagues yesterday was listing
29 the various meanings that I and others in speaking
30 to me had attached to this word "integration" and



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3 he warned me that it is therefore a dangerous
4 word for discussion. However, let us take the one
5 proposal which I have particularly been exploring,
6 that we say to each of the companies, "If you will
7 undertake to buy in Canada an amount equal to your
8 sales in Canada, we will allow you to import cars
9 and parts free, so that you will buy in Canada
10 those things where we have an advantage and you
11 will be allowed to buy in the United States those
12 things where they have the advantage", and this is
13 undertaken without reference to the change in their
14 tariff, and this doesn't involve negotiations
15 with the American Government. We have to persuade
16 the American company that it will save more by
17 being able to bring in finished cars than it will
18 lose by placing duty on Canadian parts which it
19 buys to incorporate into American cars.

20 MR. WOOD: I think we can answer you by
21 saying it is an interesting proposal and one which,
22 in certain facets of it at least, is worthy of
23 close exploration, let us say, in view of enlightened
24 self interest, and if some of our Canadian companies --
25 automobile manufacturers -- could persuade their
26 parent organizations to accept Canadian parts on
27 a North American basis, shall we say, we still
28 have to keep in mind that the parts manufacturer
29 in Canada must jump through all the hoops of
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3 inspection and availability that every other parts
4 manufacturer in the States must do, and if he can
5 jump through those hoops there is a real field for
6 production of parts for the United States market.
7 I think there is more of a field for production of
8 parts for the American market than there is for
9 the production of a car for the American market,
10 and on that particular point we will certainly run
11 the risk of being left with an orphan of an auto-
12 mobile, where there would be very little risk of
13 being left with an orphan of a part. Now, that
14 again is an area where the automobile companies in
15 Canada should be receptive, and possibly suggest
16 to their parent organizations that they encourage
17 importation of parts where possible from Canada
18 because it would lead to cost savings for the
19 same parts being delivered to them in Canada. It
20 is an area worthy of exploration.

21 Now, if you go through to discuss the
22 other proposal which was mentioned, then I would
23 be prepared to say it is a long-term proposal
24 with many, many areas of unknown depth to be
25 explored and it would inevitably involve govern-
26 ments coming together and it would inevitably
27 involve our trust in private enterprise on both
28 sides of the border to do what is the right
29 thing for their country, and I think that is a
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3 very difficult thing for private enterprise to have
4 as their main goal; they are still in a competitive,
5 free world.

6 THE CHAIRMAN: I am always afraid of
7 private companies that are concerned too much
8 with the public interest; I prefer them to pursue
9 profits.

10 MR. WOOD: That is a fear that I would
11 share.

12 THE CHAIRMAN: Now, I want to explore with
13 you a rather peculiar feature of this that I
14 didn't discuss, naturally, with the automobile
15 manufacturers but which I did discuss with the
16 unions, and it is the problem of making omelets
17 without breaking eggs.

18 The union suggestion in Mr. Burt's
19 presentation required the maintenance of employ-
20 ment and you may remember that I pressed him a little
21 bit on how far this meant freezing the existing
22 pattern of employment.

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3 I don't quite know how far I got with
4 him. He wouldn't insist on freezing, but he
5 obviously was horrified at dislocation, of the
6 possibility of people having to move.

7 Now, as I see it, any such proposal would
8 involve a similar problem for the parts industry,
9 and how far we have to protect the existing
10 pattern and how far we are concerned with the
11 aggregate prosperity of the industry.

12 However, surely under such a scheme some
13 firms would expand and become prosperous and some
14 would die off?

15 MR. WOOD: That is very definitely
16 correct, Mr. Commissioner; those firms, for example,
17 which have strong affiliation in the United States
18 would be more likely to make that affiliation
19 stronger.

20 THE CHAIRMAN: Is it entirely a matter
21 of affiliation? Isn't this really a matter of
22 firms which are operating in areas where there
23 is a comparative advantage for Canada -- perhaps
24 on labour items -- and they would expand; the
25 most efficient ones that can meet American prices
26 in spite of a tariff and with the inducement of
27 free trade, and isn't it really going to mean
28 that the strong, not the affiliated, the strong
29 and the efficient of the Canadian firms will expand
30 and become prosperous, and some that have



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3 developed in Canada because of -- well, companies
4 had to make up their 60 per cent content and were
5 not quite appropriate to really large scale production
6 and they would go under.

7 MR. WOOD: If you can't get wholesale
8 integration, then there would undoubtedly be a shifting
9 of employment.

10 THE CHAIRMAN: I have to ask you as I
11 did the unions how do you feel about breaking some
12 eggs in order to make a good omelet? This is a
13 little hard for you as an officer of an association
14 which would have the people whose eggs were broken
15 as well as the ones that got bigger omelets, I
16 suppose?

17 MR. WOOD: I guess I have broken a few
18 eggs before now, so I may as well drop one now. The
19 point is that as an industry we have not given
20 close study to the possibility of the wholesale
21 integration that has been the subject of discussion
22 at this hearing. May I say that we are operating
23 in the more orthodox method, where strong and
24 efficient companies are more likely to be companies
25 that stay in business, and we haven't theorized on
26 how we should approach this problem, but we don't
27 think that integration as it has been discussed
28 here on a wholesale basis is going to give us
29 much of an answer. Certainly this is so in the
30 short. For the long term, there may be room for



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3 integration.

4 THE CHAIRMAN: What do you mean by
5 "wholesale integration"?

6 MR. WOOD: I am speaking of that in which
7 you are now particularly selective on just a few
8 parts, but you run the whole gamut on all the parts.

9 THE CHAIRMAN: In other words, retail
10 integration would be the Windsor possibility, and
11 the automatic transmission proposal would be --

12 MR. WOOD: I am speaking of parts as
13 such; it is not all parts, in other words. Just a
14 few selective parts which might find their way into
15 an integrated movement. If you are dealing with
16 those few selected parts you may just as well leave
17 it to the present conditions of import-export
18 trade. If they can hurdle the tariff barrier,
19 get the things and make a good product and sell it
20 in the United States, why don't they do it?

21 THE CHAIRMAN: They obviously would if they
22 could, so we think what inducement would enable them
23 to do it when they are not doing it now? If we
24 offered what you refer to as this wholesale scheme,
25 there would be some other inducement. If you
26 don't have to assemble all your cars here, and
27 if you can scatter some and bring the others in
28 free, there are some incentives here, which changes
29 the picture of the possibility of you selling parts
30 in the United States, doesn't it?



1 MR. WOOD: It would change the picture of
2 our selling parts in the United States, and whether
3 it would change it for the better is something that
4 we as an industry have not studied.

5 THE CHAIRMAN: Suppose, however, they had to
6 buy 100 per cent. It is the 100 per cent concept
7 but not applied to the car rolling in Canada, but
8 still it means the more purchase of parts than the
9 60 per cent or 70 per cent content does, and if it
10 means a lower price of cars in Canada it means more
11 cars, so it is 100 per cent of more cars.

12 MR. WOOD: Are you just proposing a
13 re-orientation of parts plants in which these parts
14 which may have been produced in Detroit may be
15 produced in Windsor?

16 THE CHAIRMAN: They may be produced in both.

17 MR. WOOD: And what was then produced in
18 Windsor would then be produced in Detroit?

19 THE CHAIRMAN: Yes.

20 MR. WOOD: And would we be the gainer in
21 the long run?

22 THE CHAIRMAN: No, not the gainer in the long
23 run, but would the fact that you as an industry be
24 the gainer not be sufficient to eliminate the
25 opposition of, I think, the minority of the industry
26 who would be hurt? You will notice I am simply
27 putting to you the question that I put to the unions.
28 Have we got to be certain nobody is hurt, or can
29 we be thinking of what is for the greatest good of the
30



whole industry or Canada and recognize that in the process some will be hurt?

MR. WOOD: I think I would have to subscribe to that thought, Mr. Commissioner, because there is nothing so constant in the automobile industry as change, and certainly in the design and supply of parts, we find parts that are no longer required now which might have been required some years ago, so the company making those parts no longer makes them. So you will have the same in the over-all as you are commenting on now; there would be some dislocation of the industry, and if it is for the greatest good -- and in this particular case I am confining it to Canada -- I think we would be faced with this situation.

THE CHAIRMAN: I am not concerned with the prosperity of the United States, I am concerned with our advantage, but I think to get it we may have to look at something which is mutually advantageous.

MR. WOOD: I think that is usual in our history of getting something from the United States: We never get it for nothing, do we?

THE CHAIRMAN: Well, Mr. Wood, I think I shall close the examination at this point. I would be happy if you and your Association would consider this proposal that I have made, and other proposals, not only wholesale integration, not only wholesale integration on this one line but various forms of



1 integration, various ways by which we can develop
2 the industry not merely by putting more into a
3 Canadian car, by widening our markets.

4 MR.WOOD: You mean the English car or the
5 German car?

6 THE CHAIRMAN: Yes, not making this
7 exclusively American.

8 MR. WOOD: Let me say that following the
9 most excellent and eloquent statements made by
10 Mr. Jansen yesterday, I hurried to his side and
11 suggested that we were very excellent parts makers
12 in the country, and if he was short of parts we
13 should make some for him. A contact has been
14 established and it is being followed through. I can
15 assure you that here today I have a large number
16 of parts makers who are offering moral support,
17 and I am happy to have them hear your remarks, because
18 I intend to put the problem squarely to them.

19 THE CHAIRMAN: It is beginning to be
20 thought of as the Braden proposal, but I am a long
21 way from that. The Keenleyside format may be the
22 better one. It worries me. It is exciting in its
23 prospects, but it is worrying, too, and I am looking
24 for modifications, and perhaps I am just chasing a
25 will-o'-the-wisp.

26 MR. WOOD: My answer is that we have made very
27 carefully considered proposals which are contained
28 in our brief. We do feel that they meet the problem
29 head-on, and the long-term problem still must be faced,
30



1 and in this particular case I believe we have an
2 answer in population and economic nationalism to a
3 degree.

4 But I think if you are willing to close the
5 interrogation, I will be also. Thank you.

6 THE CHAIRMAN: Thank you. We will reassemble
7 at five minutes past eleven, when the Tool and Die
8 Manufacturers' Association will present a brief.

9 --- Recess.

10
11 SUBMISSION OF TOOL & DIE MANUFACTURERS
12 ASSOCIATION OF CANADA

13 Present: Mr. D.R. Few,
14 Chairman,
15 Special Committee.

16 Mr. P. Stevens,
17 President of Toronto Chapter,
18 Tool & Die Manufacturers
19 Association of Canada.

20 THE CHAIRMAN: Mr. Few?

21 MR. FEW: Thank you, sir. May I introduce
22 Mr. Pete Stevens, President of our Association.

23 Sir, before reading the short synopsis
24 of our brief, I would like to insert one thought
25 to this session which we would ask to be kept in
26 mind regarding our industry and those of a similar
27 type.

28 First, we have the prime industries, such
29 as the steel and raw materials of all types, etc.,
30 and then we have the secondary industries which change
the material into a product, and we feel we fall into



1 the third group which, for want of a better name,
2 we call service or feeder companies, assisting the
3 first two in their operations.

4 The tool, die and machine shop industry is
5 composed of Canadian companies employing skilled
6 tool and die craftsmen who produce the necessary
7 industrial tools, machinery and machinery components,
8 for the manufacturing of all types of products.
9 Many of these companies are also concerned in
10 producing component parts and assemblies which are
11 incorporated into finished goods.

12 Today we wish to impress on this assembly
13 and to record the necessity that all types of
14 secondary manufacturing be produced in Canada -
15 especially automobiles and automotive parts.

16 Our industry is unanimously in favour of the
17 brief submitted by the Automotive Parts Manu-
18 facturers Association. Due to the importing of
19 British and foreign cars, we have witnessed a
20 decline in the volume of Canadian built cars. This
21 has caused the loss of considerable business due to
22 the lowering of the production index which has now
23 caused the Canadian automobile companies to purchase more
24 parts in the U.S.A., thus eliminating the necessary
25 tooling as well as the production in Canada. An
26 incentive must be created to change this condition
27 and to entice the British and foreign car producers
28 to establish plants in Canada and allow components
29 to be Canadian supplied.
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The tariff definition "type or kind not made in Canada" is now outmoded as it is working against the Canadian manufacturers, who are faced with the expense and trouble of proving that it can be made in Canada, nor does it create an incentive for Canadian companies to produce new products, for they must supply 10 per cent of the market before the tariff protection can be applied. This should be changed to a "type or kind made in Canada" and the higher tariff be applied until the importer proves that it cannot be made by Canadians.

In the last three years our industry has suffered a great loss of skilled people emigrating to the United States of America, and Canada is often looked upon as a stepping stone by the British and foreign trades people who are desirous of reaching the States. Out of 23,000 Canadians who emigrated to the States in 1959, 3,157 were skilled people.

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1 During peace or war our tradesmen are
2 exceptionally important to the Canadian manufacturers.
3 In 1939 we experienced a great shortage of trained
4 craftsmen and were faced with a rushed training
5 program. We must keep this in mind in case of
6 another crisis. We must, therefore, retain our
7 present skilled craftsmen in Canada and increase our
8 employed by decreasing the importing of finished
9 goods and by building up our secondary manufacturing
10 facilities.

11 I would like to add that nearly all of the
12 companies that are in our particular field are
13 set up as private corporations, and do not have
14 parent plants in the United States of America, nor
15 in Britain or other countries, and they operate on a
16 limited amount of capital.

17 With those remarks, sir, I would like to
18 offer our answers to any questions you may like to
19 present.

20 THE CHAIRMAN: Thank you, Mr. Few. My
21 first question, I suppose, is this: What proportion
22 of the business of your industry does the automobile
23 industry and automobile parts industry constitute?

24 MR. FEW: Sir, this is a pretty hard
25 question for us to answer, due to the fact that
26 the Dominion Bureau of Statistics does not recognize
27 the tool and tie industry as a particular industry,
28 although it is one of the most important for our
29 country -- at least, we feel that way. We cannot go
30



1 to their records and pick out definite information
2 as to what portion of tooling is being done for
3 the automotive industry, and what portion is being
4 done for any other type of product. We can only
5 surmise from our own contacts with our various members
6 -- and it is a 'guesstimate' -- that approximately
7 50 to 60 per cent of the tooling that is being done
8 in Canada would be for the automotive industry.

9 THE CHAIRMAN: You then referred to the loss
10 of business through the importing of automobiles.
11 Am I to take it from this that the change in volume
12 of production through a reduction of imports by
13 some 70,000 or 80,000 cars would put smiles on your
14 faces, or does it still leave a problem of inadequate
15 volume in this little country of ours?

16 MR. FEW: We think if this volume of 80,000
17 was added to the Canadian production that it would
18 assist us in building tooling amortized over that
19 larger volume of parts on a smaller cost to the
20 particular component.

21 THE CHAIRMAN: It would assist you, but
22 would this assistance be so material that you would
23 not be particularly interested in any further develop-
24 ments, and my suggestions about continental markets
25 are really of no particular concern?

26 MR. FEW: The only way I could answer that,
27 sir, is to say that in every part that is produced
28 for the automotive or any other type of manufacture
29 we must be competitive on that particular part, including
30



1 the tooling cost, and it is the endeavour of all the
2 toolmakers in our country to produce all of the
3 tooling that is necessary in Canada, and only by higher
4 volume can we produce precision tools which will stand
5 up to the longer runs which, granted, makes them a
6 little more costly but it enables us to spread that
7 cost over the higher volume. So, we are interested
8 in an increase in production.

9 THE CHAIRMAN: You would be helped by other
10 people's volume because this means more business for
11 you, but there is no particular problem of volume
12 production in your own industry?

13 MR. FEW: Ours is of the custom type of
14 business, and we depend upon the product being made
15 in Canada before we even have a business.

16 THE CHAIRMAN: But if you are supplying twice
17 as big an industry your costs are not thereby lowered?
18 Your sales are twice as big, but your costs per unit
19 would not be lower -- or, would they?

20 MR. FEW: No, our costs would not be lower,
21 but they would be lower for the manufacturer of the
22 particular part because it is amortized over a
23 larger volume.

24 THE CHAIRMAN: Were you here when Mr. Wood
25 was speaking?

26 MR. FEW: Yes, I was.

27 THE CHAIRMAN: You heard me ask him about
28 a possible revision of the tariff. He did not seem
29 to be very interested in changing the present form,
30 but had simply a different attitude towards rulings.



1 I take it you are asking that the whole form be
2 changed?

3 MR. FEW: Not exactly. When it comes to
4 our portion of the automotive field we are in
5 agreement with the brief as it stands, as Mr. Wood
6 put it. The thing we are concerned about is the
7 fact that the tooling which is being produced out of
8 our country -- the duty being paid on that without
9 their coming to us and asking whether we can make it
10 or not, and that is why we would like to see a
11 definite statement that it is made in Canada.

12 THE CHAIRMAN: This is my point, and I quote
13 from your statement:

14 The tariff definition 'type or kind

15 not made in Canada' is now outmoded...'

16 MR. FEW: Yes.

17 THE CHAIRMAN: This suggests, if it is
18 outmoded, that it should be revised, and the firm
19 list, instead of naming a certain number of things
20 that are free, should say that unless it can be
21 shown it can be made in Canada it comes in free.

22 MR. FEW: May I make a reference to a tool
23 that was asked of us? It was for trimming the frames
24 on eye-glasses. It is a very simple tool that is
25 used in the die casting business for trimming off
26 the flash of castings. You cannot go to a shelf in
27 the world and pick it up as a product that is
28 completely made. It is a custom type of thing, and
29 this is our type of business. The result of this is
30



1 that when they go to our customs people and ask for
2 a ruling on that item the customs people have to
3 approach us and ask as to whether this can be picked
4 up, or not. Now, it is costing them money to look
5 into this, and it is costing us money to look into
6 the situation, but when it is a custom item of this
7 nature, whether it went to their own country, or
8 came here, somebody has got to build that as a one-
9 term tool, and the result of this is that it reflects
10 in all types of parts that go into the automotive
11 industry as well.

12 THE CHAIRMAN: I am asking you whether you
13 would find it easier to operate if the form of the
14 tariff item laid down that there was a duty except
15 on those exempted items which would have to be
16 negotiated, rather than saying that there is no duty
17 except on those negotiated items where it can be
18 shown they are made in Canada.

19 MR. FEW: I would say that is the better
20 set-up.

21 THE CHAIRMAN: In this, you see, you are at
22 odds with the examination of the representatives
23 of the Association, and I want to make sure ---

24 MR. FEW: Only in that one statement.

25 THE CHAIRMAN: Yes. You say this should
26 be changed to 'a type or kind made in Canada', and
27 the higher tariff applied until the importer proves
28 it cannot be made -- at any price?

29 MR. FEW: Oh no, competitively.
30



1 THE CHAIRMAN: Surely, you can make anything
2 in Canada if you pay enough for it?

3 MR. FEW: Competitively.

4 THE CHAIRMAN: What do you mean by
5 "competitively"?

6 MR. FEW: At a low enough price that ---

7 THE CHAIRMAN: What is "low enough"?

8 MR. FEW: At a price which is acceptable by
9 the customer who has to sell his product.

10 THE CHAIRMAN: And who has the alternative
11 of importing?

12 MR. FEW: That is right.

13 THE CHAIRMAN: But the higher tariff --
14 in importing it you want to have this price higher
15 than the import price by the whole of the tariff?

16 MR. FEW: Not necessarily.

17 THE CHAIRMAN: But it generally is, is it
18 not?

19 MR. FEW: No, I would not think so. Our
20 tooling programs here have got to meet the American
21 price.

22 THE CHAIRMAN: If they are coming in free,
23 yes.

24 MR. FEW: Regardless of whether they are, or
25 not.

26 THE CHAIRMAN: The American price laid down
27 in Canada is the price plus the tax. That is what
28 you have got to meet.

29 MR. FEW: But that also has to be low enough --
30



1 the tooling has to be low enough so that that
2 part can be produced at a low enough price that
3 makes it lower than our biggest competitor in the
4 United States.

5 THE CHAIRMAN: You are not worried about
6 imported tooling, but the imported product on which
7 your tooling would have been used?

8 MR. FEW: That is right.

9 THE CHAIRMAN: How does this curious position
10 of your industry affect your attitude towards the
11 proposals about a continental market? If this
12 means more business for parts it means more business
13 for tooling?

14 MR. FEW: That is right, we would be in
15 favour of that.

16 THE CHAIRMAN: You would go along with
17 that?

18 MR. FEW: Yes, definitely, anything that
19 creates parts being made in Canada for which we
20 are going to have the opportunity of building the
21 tools.

22 THE CHAIRMAN: You refer in your brief to
23 high American tariffs, and their method of
24 calculating their rates. Would you elaborate on that?

25 MR. FEW: Well, it is our finding that if
26 we build a tool, or try to build a tool, to go
27 into the States, when we get that to the customs
28 they will say: "What type of steel is in it?", so
29 we tell them the type of steel that may be in there.
30



1 They then ask what it is made up of, and you may
2 have in there an element of, say, vanadium, on
3 which the tariff rate is maybe 35 per cent or 50 per
4 cent, and right off the bat they apply that full
5 tariff rate on the whole tool which brings the cost
6 of that tool up so high that it becomes not competitive
7 with the American producer. Also, we have had
8 occasion where the customs, in looking into this,
9 have taken so long to get the answer that the tool is
10 no longer of use to the manufacturer in the States,
11 and he cuts off the order.

12 THE CHAIRMAN: Going on, your brief reads:

13 We also find that through the low
14 Canadian usage of a part, the low
15 cost of the same item in the States,
16 due to their high production, and the
17 cost of tooling being spread over
18 their high volume, it is impossible
19 to compete on many parts, even with a
20 tariff rate of 20 per cent being imposed.
21 This method of calculating tariff does
22 not give a true picture, as the tooling
23 does not show as a realistic price.
24 This applies not only to the automotive
25 companies but to all companies who are
26 subsidiaries of American and European
27 plants...'

28 and so on. Would you elaborate on this? Why is it
29 not a realistic price?
30



1 MR. FEW: Well, sir, if we were building
2 a tool to make one of those (indicating an ashtray)
3 you have to build identical tooling capable of
4 producing thousands. Now, in the States if they have
5 a million pieces to produce, they can put a little
6 more costly tool into the job, which will produce the
7 piece faster and cheaper due to the increased
8 production rates. In Canada we have to use our
9 ingenuity and build a tool far cheaper to produce
10 the tool which will produce the lower volume, and,
11 therefore, bring the amortized cost of the article
12 down.

13 THE CHAIRMAN: This, I understand, is an
14 argument for production, but I was reading this,
15 perhaps wrongly, as an argument similar to that made
16 in regard to the valuation for duty on imported
17 cars; that in some way you thought this was not a
18 realistic price and that, therefore, duty was
19 imposed on something that was not directly a fair
20 market value. This is not intended?

21 MR. FEW: No.

22 THE CHAIRMAN: Because I am afraid I did
23 not go along with that.

24 MR. FEW: Now, I believe the set-up in the
25 automotive industry is that they are charged 10
26 per cent of the tooling costs, and that is then
27 amortized into the imported part. If the tool costs,
28 say, \$7,000, then they have only to put in a \$700
29 charge for tools, while we may still have to put up
30 close to, say, \$500 or \$600 to build the tools necessary



1 for the volume that they have.

2 THE CHAIRMAN: But it is the disadvantage
3 of the small market, and not the failure of National
4 Revenue to value properly?

5 MR. FEW: No.

6 THE CHAIRMAN: I think that is all I wish to
7 ask you, Mr. Few; thank you very much.

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9 --- Luncheon adjournment.

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3 ---Upon resuming at 2 o'clock p.m.

4 SUBMISSION OF
5 PRIMARY STEEL INDUSTRY OF
6 CANADA

7 APPEARANCE:

8 Mr. K.B. MacNaughton

9 THE CHAIRMAN: We will hear now from the
10 Primary Steel Industry of Canada which will be
11 presented by Mr. MacNaughton.

12 MR. MacNAUGHTON: Thank you very much,
13 sir. I think I should begin by stating my position.
14 I am acting as a spokesman on behalf of four
15 members of the basic steel industry in Canada. As
16 you may know we, the basic steel producers, do not
17 have an an association of our own. The comments
18 contained in our written brief, sir, are of a fairly
19 general nature and are the consensus of the opinion
20 of the four memebbers represented.

21 If it would be your wish, I would be
22 happy to read the brief as submitted, and I would
23 ask one privilege, and that is that I be granted an
24 opportunity of referring some questions as they
25 arise to the representatives of the other producers
26 if this meets with your approval.

27 THE CHAIRMAN: Since it is a very short
28 brief I will not object to reading it, but if you
29 care to summarize it we would accept that; that is
30 the usual practice.



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3 However, if you prefer, you may read it.
4 It is almost as short as a summary.

5 MR. MacNAUGHTON: Yes. I will read it,
6 then, sir.

7 We thank you, Mr. Commissioner, for this
8 opportunity to present to you some facts and opinions
9 on the Canadian Automotive Industry.

10 The views of the primary steel industry
11 are expressed under eight points, which follow.

12 The steel industry is interested in the
13 prosperity and the growth of domestic automotive
14 manufacturing as an important consumer of steel.
15 A motor vehicle is primarily a product of steel
16 with approximately 80 per cent of the weight of a
17 passenger car in the form of steel and pig iron.
18 The frame, the body, the shafting, the wheels and
19 the motor contain such steel industry items as
20 bars, plates, sheets and strip, wire, mechanical
21 tubing and cast iron engine blocks, etc. If
22 more automobiles are manufactured in Canada, more
23 steel will be used, with benefits to the Canadian
24 steel industry in the sale of steel and in the
25 provision of employment.

26 Much of the recent expansion in the
27 Canadian steel industry, both in basic steel
28 making and in finishing facilities has assumed
29 that the domestic automotive industry would continue
30 to grow and enlarge its purchasing of Canadian



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3 steel. This has been the case particularly in
4 cold rolled sheets, stainless steel strip, alloy
5 grade steel bars, aluminum coated steel sheets, and
6 industrial fasteners. If the automotive industry
7 does not expand its purchases of steel, the steel
8 industry is left with an over-capacity in the
9 above products. It would require considerable
10 time to develop other consuming markets.

11 If domestic automotive production does
12 not resume its growth, the Canadian steel industry
13 will not be able to reach into the production
14 of wide cold rolled sheets, mechanical tubing,
15 cold finished bars, aluminum coated sheets, and
16 other steel markets where the automotive buying
17 is the major part of the market. If domestic
18 automotive production does resume its growth and
19 its purchases of steel, the Canadian steel industry
20 will be able to reach into the above markets and
21 at the same time gain the lesser volume non-automotive
22 markets for these products. This would displace
23 the imports now coming in, and would increase
24 the employment directly in the steel industry, and
25 indirectly in the various Canadian activities
26 which support the industry.

27 The steel industry of Canada sold 286,181
28 tons of steel rolling mill products to the Canadian
29 automotive industry in 1959. This was about
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6 per cent of total steel shipments. In fact the 1959 figure is considerably inflated as some of the steel purchases were re-shipped to the United States automotive industry because of their prolonged steel strike. In the United States the automotive industry took 21 per cent of American steel shipments in 1959. In the United Kingdom 12 per cent of steel shipments went to the automotive industry in 1959.

Expressed in another way, Canadian shipments of steel, in the inflated situation of 1959, were 1,554 pounds per motor vehicle assembly. United States shipments of steel in product form were 4,225 pounds per motor vehicle assembly in 1959. United Kingdom shipment of steel were approximately 3,504 pounds per motor vehicle assembly in 1959.

If the Canadian steel industry can narrow the gap toward the British and the American steel industry levels, it will open up a major area of market growth which would support a more vigorous steel industry and higher steel employment levels.

The increased production of the Canadian steel mills over the past several years has enabled the industry to bring its prices into line with American steel mill prices. At present for almost all steel mill products used by the automotive industry the Hamilton or W lland base price is as low as, and often lower than, the Pittsburgh



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3 base price. The domestic steel industry has done a
4 great deal through competitive prices and services
5 to create the conditions under which its customers
6 in secondary industry have reasonably priced steel
7 from which they can produce manufactured products
8 at competitive prices. The steel industry has
9 tried, and will continue to try, to develop steel
10 markets on which its growth and prosperity depend.

11 Steel industry expansion takes place in
12 large and costly outlays of capital and equipment.
13 Both primary steel and finishing mills are costly
14 and, when installed, require large volume markets.
15 The industry has a record of technical progressiveness,
16 market consciousness, and success in the displace-
17 ment of imports. Perhaps \$600 millions have been
18 spent on capital expenditures by the primary
19 steel industry in the period 1950-1960. When
20 the industry is considering, for example, wide
21 cold rolled sheets for automotive body stampings,
22 the equipment is costly and the markets largely
23 in the automotive industry. But if for example,
24 the wide sheet mills are justified by the market and
25 are installed, a substantial import of steel sheets
26 or body stampings are thereby shifted over to a
27 Canadian location where Canadians are employed,
28 Canadian taxes paid, and Canadian retained
29 earnings accumulated for the further expansion
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3 of Canadian manufacturing and employment.

4 Apart from the automobile manufacturers
5 themselves, there are in Canada many manufacturers
6 engaged in producing stamping and forgings for the
7 automobile industry. The firms engaged in this
8 business are known as Parts Makers. With a view
9 to increasing employment and increased steel pro-
10 duction, we believe that consideration should be
11 given to ways of increasing the use of Canadian
12 stampings and forgings in Canadian manufactured
13 automobiles.

14 It might also be well to consider the
15 practicability of adopting some procedure whereby
16 Canadian Parts Makers could make parts for auto-
17 mobiles manufactured in the U.S. but sold in
18 Canada. This would not only have the effect of
19 increasing Canadian employment and increasing steel
20 consumption, but it would be helpful to the Parts
21 Makers in securing increased volume which could
22 have a very favourable effect on their costs of
23 production.

24 In conclusion, the Canadian steel industry
25 is keenly interested in the prosperity of domestic
26 automotive manufacturing. For some Canadian steel
27 products, it is presently a major market. The
28 industry is interested in seeing Canadian auto-
29 motive manufacturing on the increase again.
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3 When that increase comes, the industry hopes to
4 enlarge the proportion of Canadian steel used in each
5 vehicle assembly.

6 If these objectives can be attained, the
7 steel industry can foresee a widening market for
8 steel, and an increase in employment opportunities
9 in Canada.

10 THE CHAIRMAN: Thank you very much. I
11 don't think I have very much to ask you, but I do
12 have a few things which I would like to explore.
13 It appears here that the percentage of steel
14 shipments to the automobile industry is relatively
15 small, 6 per cent, and I wondered if this was mis-
16 leading and whether I should get clarification
17 on paragraph eight, where you say:

18 "For some Canadian steel products,
19 it is presently a major market."

20
21 Now, if I look at the 6 per cent I don't
22 think I need to worry about this part, but when we
23 come to the major markets these are things that
24 would not be developed in Canada otherwise, or
25 are dependent on others, and I think I should
26 know more about this.

27 MR. MacNAUGHTON: Yes. Well, it certainly
28 does vary by product and it varies by producers.

29 I believe we have some figures; might I
30 ask Dr. Farrell, our manager of economic research,



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3 to answer that question.

4 I wonder if I could first mention the
5 names of the other representatives? We have Mr.
6 C.C. Weeks, Vice-President of Algoma Steel
7 Corporation; Mr. Ross Craig, Vice-President of
8 Dominion Foundries and Steel, and Mr. Eric Davis
9 of Atlas Steels Limited.

10 MR. FARRELL: With reference to the
11 importance of the automobile market to the individual
12 steel products for industrial uses, there are
13 screw bolts and cap screws, and other such things
14 which are important to the steel companies for
15 finishing operations on the automobiles, and the
16 market can be ^{as} high/75 per cent of the total,
17 and it is that right now. I also believe the
18 figure runs high in the stainless markets. I
19 don't know whether to venture a particular figure
20 on this, but it is many times higher than 6 per
21 cent. They are the two that come immediately
22 to mind, and alloy bars is probably pretty close
23 to 50 per cent.

24 THE CHAIRMAN: You have some figures
25 there showing the proportions, have you?

26 MR. FARRELL: These figures split the
27 cost of steel among the main lines.

28 THE CHAIRMAN: Suppose you were to let
29 us have this later?
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3 MR. FARRELL: We will, sir.

4 THE CHAIRMAN: I would also like you to
5 indicate which of the ones are particularly important
6 in the automobile market.

7 MR. FARRELL: I will do that, sir.

8 THE CHAIRMAN: Then, I am a little confused
9 about the shipments of steel per vehicle. I thought
10 these English cars were so light that I wondered
11 how they got 3,504 pounds in the vehicle, but this
12 isn't really my question. My question that arises
13 out of this is what proportion, or can you tell
14 me what proportion of the steel in Canadian manu-
15 factured cars -- or the iron and steel -- is of
16 Canadian origin?

17 MR. FARRELL: What percentage?

18 THE CHAIRMAN: Yes, roughly?

19 MR. FARRELL: 30 per cent -- 25 or
20 30 per cent.

21 THE CHAIRMAN: When you say there are
22 1,500 pounds of steel, roughly, there is another
23 3,000 pounds that is available in the market for
24 somebody?

25 MR. MacNAUGHTON: Most of it is pretty
26 well hidden, and the major body stampings are from
27 the United States, and most of what you see on
28 the automobile in terms of the fenders and the
29 roof panels and the doors, etc., are imported and
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3 produced from cold rolled sheets.

4 THE CHAIRMAN: What is the average weight
5 of the automobiles?

6 MR. MacNAUGHTON: I think about 4,000
7 pounds; in that area.

8 THE CHAIRMAN: So this gives you another
9 3,000 pounds of steel which you would like to
10 supply.

11 MR. MacNAUGHTON: We have estimated that
12 with a production of 400,000 Canadian automobiles,
13 and major body stampings produced from Canadian
14 steels, there would be a market in this country
15 of approximately 850,000 tons of cold rolled sheets
16 a year.

17 MR. FARRELL: If the cold rolled sheets
18 in an average Canadian car which was entirely made
19 in Canada was derived from steel mills, it would be
20 another 250,000 tons of cold rolled sheets.

21 MR. MacNAUGHTON: I should point out
22 at the same time, because the body stampings are
23 produced in the United States, that there is not
24 presently in Canada a mill capable of producing
25 wide cold rolled sheets that would suit the presses
26 for those parts.

27 THE CHAIRMAN: Because I am concerned
28 not only with the automotive industry, but with
29 the effect of it on the total economy, and if as a
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3 result of an automotive market you were able to
4 develop such a mill, what other Canadian industries
5 might be served?

6 MR. MacNAUGHTON: Suppose the other industries
7 are concerned, the type of mill that would be used
8 to produce the wide sheets for major automotive
9 stampings, would also serve certain end uses in the
10 appliance industry, but by and large the plans of
11 any steel company concerning the investment of
12 capital for that type of mill would hinge almost
13 entirely on the needs of the automotive industry.

14 THE CHAIRMAN: I see that, but suppose a
15 decision has been made on the basis of the automotive
16 industry, are there any other additional advantages
17 to Canada because you have got this mill so that
18 some other industries -- not only you but some of
19 your other customers, or would this be 100 per cent
20 supplied to the automotive --

21 MR. MacNAUGHTON: It would be 100 per
22 cent of that. Mr. Craig of Dominion Foundries may
23 have something to say on that.

24 MR. CRAIG: It would be between 85 and 90,
25 and the other 10 per cent would be for partitions
26 and some hot water tanks for household appliances.

27 THE CHAIRMAN: In your brief you refer
28 to the investment in the industry as based on
29 estimates of the rate of expansion of the automotive
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3 industry, and it would be helpful to me to know
4 what rate of expansion you have been counting on.

5 MR. MacNAUGHTON: I would ask Dr. Farrell,
6 our economic adviser in this area, to speak to that
7 one, sir.

8 MR. FARRELL: It is very costly to take
9 the next step to wide sheets which are needed for
10 the automotive tops and bodies. The cost of a
11 wide strip mill could very well run \$100 million
12 plus for the mill itself and also for the widening
13 of supporting facilities. At least \$100 million
14 of expenditure would hang on the automotive
15 market. Now, that also would require access to
16 the stamping plants that could use them.

17 THE CHAIRMAN: I would like to move back
18 a little in your presentation, where you say,
19 "Much of the recent expansion in the Canadian
20 Steel Industry, both in basic steel making and
21 in finishing facilities has assumed that the
22 domestic automotive industry would continue to grow ..."
23 and I have to know what rate of growth it is
24 assumed.

25 MR. MacNAUGHTON: I think I can speak
26 to that, sir, but not with a presentation of any
27 statistics and I don't say this in any derogatory
28 sense concerning the sales forecasting of the
29 automotive industry, because Heaven's knows ours
30



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3 haven't been too accurate either, but many of our
4 plans -- and I speak for the industry on this --
5 many of our plans concerning the expansion of the
6 flat rolled products facilities have been based to
7 a great extent on forward planning in terms of
8 sales forecasting in the automotive industry
9 itself. I know there have been disappointments,
10 but we have asked questions on that in making
11 surveys of market needs in terms of our producing
12 facilities, and I think that within the last
13 two or three years there have been some rather
14 optimistic figures given to us, and predicated on
15 those figures we visualized for the next three or
16 four or five years we would be required to expand
17 our facilities if we were going to be in a position
18 to meet the market forecasts of Canadian automobile
19 production, although such figures are not borne out
20 by the last two years production and sales.

21 THE CHAIRMAN: What I am really getting
22 at is are the mistakes in terms of the total car
23 sales or in terms -- or, was it the new proportion
24 of imports that upset the applecart?

25 MR. MacNAUGHTON: I would say, sir,
26 if the total number of automobiles imported had
27 been made in Canada we would be a good deal
28 closer to the expansion of some of our facilities
29 today than we are.
30



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3 THE CHAIRMAN: This is rather more than
4 one would have expected. Surely we would allow
5 some imports. I have been guessing that it was
6 70 or 80,000 which is the part of the imports that
7 have been rather shocking, but you were taking a
8 bigger rate of growth than this?

9 MR. MacNAUGHTON: Yes.

10 THE CHAIRMAN: I think this is, perhaps,
11 the part that should be laid at the door of Mr.
12 Gordon. I suppose this is another way of putting
13 the same question; what volume -- perhaps I will not
14 ask that.

15 My next question really arises out of
16 a comment this morning, and it is a comment on
17 paragraph 5, and I think my comment is "Splendid;
18 how come?" I had been saying this morning that
19 most industries haven't gotten the production
20 price well up today.

21 MR. MacNAUGHTON: Well, sir, I don't think
22 that that situation should come as any great
23 surprise when one considers the millions of
24 dollars that the Canadian steel industry has spent
25 over the last 10 or 15 years modernizing its
26 facilities. Such investments are beginning to
27 pay off in terms of lower costs than would otherwise
28 have been available to us, and we have been success-
29 ful in expanding our sales to some industries on
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3 flat rolled products and giving us somewhat better
4 production runs per year, plus the fact that we
5 just haven't gone along with price increases after every
6 labour increase in our industry.
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1 THE CHAIRMAN: And there is competition.

2 MR. MacNAUGHTON: There is definitely
3 competition, and, of course, we cannot ignore that.

4 THE CHAIRMAN: In item 7, do I take this
5 to be a recommendation that the Canadian content
6 regulations be raised?

7 MR. MacNAUGHTON: Anything, sir, that would
8 require more Canadian steel in Canadian-built
9 automobiles would have our support.

10 THE CHAIRMAN: Even if it put up the price
11 of cars where fewer cars were produced; there would
12 be more Canadian steel in fewer cars?

13 MR. MacNAUGHTON: Well, our importations
14 last year were over 130,000. It could shrink, of
15 course.

16 THE CHAIRMAN: It may shrink itself more
17 if you put up the price of Canadian automobiles.
18 In other words, as I said to the parts people this
19 morning, you can kill an industry by protection, if
20 you raise the price of the product to the point
21 where it won't sell. But you feel we should try to
22 increase the Canadian content.

23 MR. MacNAUGHTON: Yes, sir.

24 THE CHAIRMAN: Have you in mind the economic
25 viability of the industry?

26 MR. MacNAUGHTON: As basic producers we
27 ourselves cannot create a market for our product; our
28 market must be created by secondary industry buying
29 our products. Anything that will encourage
30



1 secondary industry to expand immediately reflects
2 in our operations.

3 THE CHAIRMAN: Do you feel that there is
4 perhaps more hope in part 2 of No. 7, the possibility
5 of adopting some procedure whereby Canadian parts
6 makers, using Canadian steel, would make parts for
7 automobiles manufactured in the United States?

8 MR. MacNAUGHTON: We believe that this has
9 merit.

10 THE CHAIRMAN: Have you thought about --
11 I am thinking about one scheme. I am wanting to
12 have suggested all the possible schemes. Have you
13 a scheme in mind for this?

14 MR. MacNAUGHTON: Yes, sir.

15 THE CHAIRMAN: Would you outline it?

16 MR. MacNAUGHTON: Yes, I would be glad to,
17 and Mr. Weeks of Algoma Steel may have something to
18 say to this question. We have mentioned cold rolled
19 sheets, because cold rolled sheets as such represent
20 the most attractive tonnage product. We have felt
21 that some method could be worked out whereby Canadian
22 steel could go to the United States in the form of
23 parts or in the form of even flat rolled products
24 to be formed and brought back into Canada for parts
25 to be assembled in automobiles for sale in Canada.
26 I cannot speak for the steel corporation; they may
27 have thought of the same thing. Mr. Weeks may like
28 to say something on that.

29 MR. WEEKS: I could probably add to that. We
30



1 have been and are currently shipping hot rolled
2 steel to the United States for the manufacture of
3 automobile frames to be shipped back to Canada. Now,
4 it applies only to Canadian-manufactured cars, not to
5 cars that are built and sold in the United States.
6 We would like to see a healthy Canadian automobile
7 industry and a healthy parts industry. Looking beyond
8 that, if that cannot be as a result of reduced
9 imports, if we should look for salvation, we would
10 look very strongly towards the United States for the
11 supply of rolled steel for the manufacture of parts
12 to be included in the assembly either in the United
13 States or in Canada for cars to be sold in Canada.

14 THE CHAIRMAN: What is the position there?

15 MR. WEEKS: Presently you have the right of
16 substitution. It had to be an article produced
17 from steel of the exact same or near same as is
18 imported from the United States into Canada.

19 THE CHAIRMAN: And then the Canadian charges
20 duty unless it is a free item.

21 MR. WEEKS: Yes. For instance, it would
22 have to be a part made from hot rolled sheets or cold
23 rolled sheets. You could not ship cold rolled sheets
24 into the United States and have them export to Canada
25 parts made in a bar.

26 THE CHAIRMAN: I don't know whether you have
27 seen the comment that is in the Globe and Mail this
28 morning, but worry is expressed there to decreasing
29 dependence on the United States of any such arrangement
30



1 to increase the integration of the industries in the
2 two countries it involved. Would you have any
3 comments on that?

4 MR. WEEKS: If it proves not practical to
5 increase the production in Canada of automobiles,
6 I don't think we would have any worry whatever. I
7 don't think I am giving away any secrets when I say
8 we have been selling several millions worth of
9 dollars of pig iron to the United States, which have
10 not only been returned to Canada but also sold in the
11 United States. I think it would be a very good thing;
12 but, first of all, we would like to see a healthy
13 Canadian industry.

14 I would very much like to clarify Mr.
15 Farrell's remarks a few minutes ago about the cold
16 sheet mill. I think he had in mind that to have a
17 sheet mill you must have close to it a hot mill,
18 and probably 75 million would take care of the hot and
19 cold mill to take care of the sheet for all automobile
20 stampings.

21 THE CHAIRMAN: I am a little horrified
22 by a note just passed to me -- is duty assessed on
23 the cost of the material?

24 MR. WEEKS: There is a drawback,
25 99 per cent duty drawback of about 89 or higher
26 percentage of the duty import.

27 THE CHAIRMAN: That is all that I want to ask.
28 Thank you very much.

29 MR. MacNAUGHTON: Thank you very much.
30



1 THE CHAIRMAN: We are still not quite
2 straight on this.. That is the United States tariff.

3 MR. WEEKS: It may be either coming back
4 into Canada. It would depend on the tariff for it
5 coming back into Canada. The purchaser in the
6 United States still gets the drawback.

7 THE CHAIRMAN: The Rubber Association of
8 Canada, represented by Mr. Greig Smith.

9
10 SUBMISSION OF THE RUBBER ASSOCIATION
11 OF CANADA

12 Present: Mr. Greig Smith.

13 THE CHAIRMAN: Yes, Mr. Smith.

14 MR. SMITH: Mr. Commissioner, the purpose of
15 my appearance at this hearing is primarily to make
16 it a matter of public knowledge that the rubber
17 industry recognizes the tremendous importance to
18 Canada of the inquiry you are conducting and that it
19 has an interest in it, and to assure you that you
20 may count on the rubber industry to cooperate with
21 you to the fullest extent of its ability.

22 Actually, sir, the first ten pages of the
23 brief which we submitted to you on October 3 contains
24 all the information we believed necessary to enable
25 you to assess the stature of the rubber industry
26 in the Canadian economy and the nature and magnitude
27 of its stake in the fortunes of the automotive
28 industry. Consequently, I do not propose to take
29 your time by repetition or a lengthy review of facts
30



1 which are already before you, but with a very brief
2 introduction shall proceed to sketch the proposals
3 we have placed before you in the hope you will find
4 them worthy of further examination.

5 The point I wish to bring out in my
6 introductory remarks is simply that the rubber
7 industry has a substantial interest in the problems
8 of the automotive industry. Its interest may be
9 illustrated in a few words as follows:

10 We estimate that the production of the tires
11 and the many rubber parts, numbering some 200,
12 contained in a typical Canadian compact car
13 provides an average of six man-hours of production
14 employment in a Canadian rubber factory, and the
15 average sales value of those tires and parts
16 at original equipment prices amounts to \$110.
17 Applying these factors to the 153,932 cars, which
18 is the number of passenger cars imported in 1959,
19 it could be said that passenger cars alone imported
20 into Canada in that year represent a loss to the
21 Canadian rubber industry of very close to one
22 million man-hours of employment and nearly \$17 million
23 in sales.

24 Now, these figures in turn would represent
25 employment for between 700 and 800 persons in a
26 factory producing tires and other rubber automotive
27 parts.

28 With this short introduction, I will go on
29 to our proposals, which are two in number. The first
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1 has to do with sales and excise taxes on motor
2 vehicles which, on their present basis, are in our
3 opinion definitely inequitable in that they impose
4 a heavier tax burden on Canadian cars than on imported
5 cars with which they compete.

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1 We propose that this inequity be removed
2 by raising the present ad valorem taxes and
3 substituting a specific tax which would levy the
4 same amount of tax on all the vehicles of the general
5 type -- that is to say, one fixed amount applicable
6 to all passenger cars; another fixed amount
7 applicable to all light trucks; still another
8 fixed amount applicable to all heavy trucks, and so
9 on.

10 It seems to us that this proposal has two
11 virtues that may commend it to you. In the first
12 place, we do not think it would be in violation
13 of trade agreements prohibiting discrimination in
14 internal taxes. In the second place, it would not
15 necessitate a reduction in government revenues from
16 sales and excise taxes on motor vehicles if the
17 government should consider a reduction impractical
18 in the present circumstances.

19 Our second proposal is intended to increase
20 production in Canadian automotive parts factories
21 by providing a positive incentive to British and
22 foreign car manufacturers to establish assembly
23 operations in Canada, and to incorporate a moderate
24 percentage of Canadian content in their vehicles.

25 Behind our proposals lies the fact that the
26 Canadian rubber industry -- and I think the same is
27 true of other parts industries -- already manufactures
28 numerous parts for practically all makes of imported
29 cars, and, in fact, supplies the bulk of the Canadian
30



1 replacement demand for tires and parts. The
2 rubber industry, for example, produces a full
3 range of tires used on imported cars, as well as
4 fan belts, radiator hose and practically all rubber
5 parts for which the replacement demand is appreciable.
6 We think the same thing could probably be said of
7 batteries, battery cables, headlamps and spark
8 plugs, to name a few of the products of other parts
9 industries.

10 Furthermore, in the case of tires, at least,
11 we have reason to believe that Canadian original
12 equipment prices are fully competitive with the
13 British and European original equipment prices, and
14 that it is not unreasonable to assume that Canadian
15 prices of other automotive parts are, at least,
16 closely in line with foreign prices. I might add
17 on that point, sir, that the fitting of parts of
18 the type I have in mind -- tires, batteries, and so
19 forth -- would not require elaborate or costly
20 equipment in assembly plants, here.

21 Furthermore, all parts such as tires,
22 radiator hose, fan belts, spark plugs, batteries,
23 and so on, could be incorporated in or fitted to
24 imported vehicles without altering their appearance
25 or their essential characteristics in the slightest
26 degree.

27 Then, to come to our actual proposal may I
28 say that in its barest essentials our proposal is
29 designed to promote the establishment of assembly
30



1 operations in Canada, and it is that a moderate
2 duty be imposed upon British vehicles and a moderate
3 increase in duty be imposed on foreign vehicles.
4 These duty increases should be subject to rebate in
5 a few graduated steps when vehicles are assembled in
6 Canada with various modest percentages of Canadian
7 content. We believe, sir, that this proposal would
8 create considerable employment in assembly plants in
9 Canada, and considerable additional employment in
10 Canadian parts factories, including the rubber
11 parts factories.

12 Further, it would have the merit of doing
13 so, we believe, without unduly increasing prices of
14 imported cars to Canadian buyers, and without unduly
15 upsetting the balances of trade between Canada and
16 the countries that are shipping cars to the Canadian
17 market. We commend it to you for consideration, sir.

18 THE CHAIRMAN: I find this a little
19 surprising presentation in view of the action taken
20 recently by the government in revising valuation for
21 duty.

22 MR. SMITH: I must point out, of course,
23 that this was written before that action was taken,
24 sir.

25 THE CHAIRMAN: Would you not say that this
26 has removed, or so nearly removed as makes no
27 matter, the discrimination in the application of
28 sales and excise tax?

29 MR. SMITH: It may remove the discrimination, or
30



1 most of the discrimination, as regards the basis
2 on which the tax is levied.

3 THE CHAIRMAN: That is the only basis on
4 which discrimination against domestic cars was
5 involved.

6 MR. SMITH: It does seem to us, sir, that
7 there is certain discrimination involved in the fact
8 that a great deal of the value of a car consists
9 of the wages that have gone into its production,
10 and in essence an ad valorem tax on cars is taxing
11 Canadian wage rates at ---

12 THE CHAIRMAN: This is a different argument.
13 It is an argument for protection, but the
14 argument in your brief concerns discrimination
15 between imported and domestic cars on the basis
16 that the sales tax was imposed at different levels,
17 and that this was not fair. This has been dealt
18 with, surely. You are now arguing that there should
19 be a duty because of the wage differential, but
20 that is another story. Even there you talk about
21 a moderate duty, or a moderate increase in duty.
22 This would mean no undue increase in price. What
23 magnitudes have you in mind?

24 MR. SMITH: What I had in mind when I said
25 'no undue increase in price' is that if the
26 British and foreign motor manufacturers assembled
27 their vehicles here and attained some modest --
28 I will use that vague phrase again -- percentage of
29 Canadian content they could qualify for a complete
30



1 rebate of the added duty.

2 THE CHAIRMAN: But, you see, we have now
3 in a sense imposed higher costs on their entering.
4 This is a pretty big inducement. How much more
5 inducement should there be before they decide to
6 assemble here. We have probably increased their
7 prices by \$20. How much more?

8 MR. SMITH: That I cannot say, sir.

9 THE CHAIRMAN: This is the worry, is it not?
10 Your idea of "undue" and that of the Canadian
11 Co-operative Wheat Producers Limited, who are
12 coming before me shortly, will be very different.

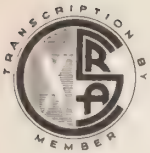
13 MR. SMITH: Yes, I am quite sure they will
14 be, sir.

15 THE CHAIRMAN: Are you serious in suggesting
16 a specific tax? Do you really think -- let us just
17 put it on the lowest basis. Do you think it is
18 politically feasible to tax a Volkswagen and a
19 Cadillac an equal and specific amount?

20 MR. SMITH: There are specific taxes --
21 there are specific tariffs which are recognized as
22 quite normal.

23 THE CHAIRMAN: Let us not argue by analogy.
24 Let me ask you whether this particular thing --
25 what are we going to say; \$50 on a Volkswagen and
26 \$50 on a Cadillac? Are you then going to argue that
27 we should abolish income tax?

28 MR. SMITH: That is putting it at its
29 extreme.
30



1 THE CHAIRMAN: Yes, but I want to get at
2 what this really is.

3 MR. SMITH: I would put it this way;
4 \$50 on a Volkswagen and \$50 on a Canadian compact,
5 or the lowest priced Canadian compact.

6 THE CHAIRMAN: But if it is specific it has
7 to go on all passenger cars, and in that event it
8 goes on also a Cadillac.

9 MR. SMITH: Yes.

10 THE CHAIRMAN: Surely, there is something
11 to be said for grading this tax by the value of the
12 car?

13 MR. SMITH: Well, possibly our suggestion
14 is a little sweet, and maybe there should be some
15 gradations within the passenger car group.

16 THE CHAIRMAN: The only thing I liked
17 about it was that any hope of getting rid of this
18 excise tax is based on findings of revenues elsewhere.
19 At any rate, we are going to see that the government
20 has its revenues, and in that you were highly
21 realistic. What about a tax per pound of weight?

22 MR. SMITH: Well, there again sir, that
23 would be disadvantageous to Canadian manufacturers.

24 THE CHAIRMAN: What about a tax per inch
25 of width?

26 MR. SMITH: Well, it does seem to me, sir,
27 that after all the bulk of the cars sold in this
28 country are still the larger Canadian or North
29 American type of car. The bulk of the Canadian public
30



1 apparently prefers that type of car as yet.

2 THE CHAIRMAN: In that case we do not really
3 need to worry about putting special taxes on the
4 others that they do not like.

5 MR. SMITH: Within limits.

6 THE CHAIRMAN: They like them within limits?

7 MR. SMITH: Yes, I like the big car within
8 limits, but when it gets beyond ---

9 THE CHAIRMAN: Quite honestly, I do not
10 find your suggestion about sales tax helpful.

11 Incidentally, when speaking about sales tax, are
12 you going to exempt the car from sales tax when
13 washing machines and everything else pay sales tax?

14 MR. SMITH: I was not proposing an
15 exemption, sir.

16 THE CHAIRMAN: You are changing the sales
17 tax from a percentage to a specific tax.

18 MR. SMITH: Yes.

19 THE CHAIRMAN: Does this have to apply
20 also -- sales tax is a general tax; it is not just
21 on automobiles. What are we going to do with respect
22 to washing machines? Are we going to have a specific
23 tax, and put a special tax on a little washing
24 machine, and another tax on a washer and dryer
25 combination?

26 MR. SMITH: No. Our brief says it is
27 intended to apply strictly and solely to automotive
28 vehicles.

29 THE CHAIRMAN: You will next argue we will
30



1 be exempt from income tax if we own an automobile.
2 Sales tax is so general. The excise tax is a
3 special automobile tax, and there I think it is
4 reasonable, but to try to treat the sales tax
5 specially -- well, that is going to be awfully
6 difficult to convince me about.

7 MR. SMITH: Well, I am sorry to hear that,
8 sir.

9 THE CHAIRMAN: Could you help us with
10 another problem? On the basis of your experience in
11 the industry -- I have been trying to explore the
12 possibilities of increased standardization. I am
13 told there are too many models, and that if only we
14 could get fewer models we could get longer runs and
15 lower costs. It seems to me that this is a problem
16 that the rubber industry shares with the automobile
17 industry. You also have an appalling diversity of
18 models, do you not?

19 MR. SMITH: Yes, we certainly have, sir.

20 THE CHAIRMAN: Have you any ideas on how we
21 can reduce the diversity of models in such industries
22 as your tire industry or my automobile industry,
23 if I may refer to it as such?

24 MR. SMITH: Frankly, under the existing
25 combines legislation I do not see how it can be done.

26 THE CHAIRMAN: The Royal Commissioner can
27 always talk about changing the legislation. What
28 change is required in the combines legislation, or
29 what kind of agreement do you have in mind?
30



1 MR. SMITH: I think it is generally
2 accepted throughout the rubber industry that the
3 number of different types of tires that are made
4 within any given size is almost mad, but it is not
5 a thing that any one company can possibly take any
6 action on. No company is going to cease making a
7 tire for which there is a demand unless its
8 competitors cease to make that tire likewise.
9 In other words, I think a reasonable reduction in
10 the varieties of types of tires that we make would
11 have to be by industry agreement.

12 THE CHAIRMAN: Most of you, or all of you --
13 most of you have parents. Are the rubber tire
14 companies Canadian or ---

15 MR. SMITH: No, they are all subsidiaries
16 of British or American rubber companies.

17 THE CHAIRMAN: I do not know whether you
18 have noticed that I have been exploring opportunities
19 for production-sharing across the border ---

20 MR. SMITH: Yes, sir.

21 THE CHAIRMAN: Has this any relevance to
22 your industry? If you were allowed to import free
23 certain models could you produce the remaining models
24 cheaper, and so put some of them back on to the
25 cars that are rolling in the United States?

26 MR. SMITH: Well, I should say on the face
27 of it that that seems probable; that that could be
28 the result of such an arrangement, but whether it is
29 practical politics, sir, I could not answer because
30



1 I have not actually discussed it ---

2 THE CHAIRMAN: I am sure that at times
3 I am interested in the politics, but politics may
4 be a ---

5 not
6 MR. SMITH: I was/thinking of politics in
7 the sense of Parliament.

8 THE CHAIRMAN: The economics of it I would
9 say.

10 MR. SMITH: Yes.

11 THE CHAIRMAN: Would you be prepared to
12 discuss this with the members of your Association
13 and see whether it appears to have any relevance
14 to this industry? Of course, this would be just
15 one of the parts?

16 MR. SMITH: Yes, sir.

17 THECHAIRMAN: I would be very grateful for
18 any exploration or any ideas. I have got to be
19 aware of all the difficulties, but on the other hand
20 it is one of the --- as I have been quoted as
21 saying -- it is one of the exciting avenues of
22 inquiry.

23 MR. SMITH: Yes. I might say, sir, that I
24 did discuss with our members the question of whether
25 a reduction in the variety of rubber products of a
26 given type we have to produce would result in material
27 savings in costs, and I got various answers. In
28 some cases the answer was along the lines of: "Well,
29 it depends on what you are talking about".
30 Generally speaking, the feeling was with respect to



1 tires, for example, that a reduction in the number
2 of types of vehicles made would make very little
3 difference in costs because, generally speaking,
4 when the automobile industry comes out with a new
5 range of vehicles there are only a few sizes of tires
6 involved, and on each one of them you can get a
7 reasonably sized run, but in the case of some of the
8 other products, I was given to understand, it could
9 make quite a difference.

10 THE CHAIRMAN: But how many varieties of
11 tires are made? Are you with one of the companies
12 that ---

13 MR. SMITH: No, I am with the Association.

14 THE CHAIRMAN: How many varieties would
15 these companies make -- 300?

16 MR. SMITH: I think it would run larger
17 than that with our companies that have the widest
18 range.

19 THE CHAIRMAN: I am not thinking of
20 increased standardization in the automobile industry
21 on this; I am thinking now about you standardizing
22 so that you are not running 300 or more different
23 varieties of tires.

24 MR. SMITH: Yes.

25 THE CHAIRMAN: Surely, the economies would
26 be higher there, would they not -- otherwise why
27 the protection?

28 MR. SMITH: There is a difficulty about this
29 business of standardization. I would say, for example,
30



1 that one of our larger tire companies makes 600
2 different kinds of tires of its own volition.
3 It is more or less a historical thing. Old cars
4 never die, sir. We are still making a 30 by 3½ tire
5 that was used on the Model T Ford. We are making
6 them because we have the moulds on hand, and you might
7 as well turn out a few. We do not actually set out
8 to make the 30 by 3½. That was done 50 years ago.

9 THE CHAIRMAN: Are you telling me that as
10 a matter of fact there is no disadvantage in the
11 small Canadian market?

12 MR. SMITH: No, I am not saying that, sir.

13 THE CHAIRMAN: In other words, there are
14 economies in long runs?

15 MR. SMITH: Yes.

16 THE CHAIRMAN: And if you can reduce the
17 number of models from 600 to 200?

18 MR. SMITH: Yes.

19 THE CHAIRMAN: But then you turn me off by
20 talking about Model T Fords, you see.

21 MR. SMITH: Yes, there are limitations to
22 the amount of simplification that can be carried on.
23 I grant you it seems quite reasonable to suggest that
24 we should be able to, say, reduce the number of
25 tires we make in a given size, but we are more or
26 less -- I would not say we are compelled, but we
27 have the equipment, and it has been bought and paid
28 for, to make a tremendous number of sizes.

29 THE CHAIRMAN: On page 14 of the brief you say:
30



1 We understand that present methods
2 of administering the Excise Tax Act
3 and the Commonwealth content provisions
4 in the automotive tariff schedule
5 practically prohibit companies importing
6 motor vehicles from entertaining the
7 idea of undertaking the slightest
8 assembly operation in Canada because of
9 cost penalties in increased taxes or
10 customs duties that would be incurred.¹¹

11 Would you care to amplify that, or explain it?

12 MR. SMITH: What I had in mind, sir, was
13 the fact that an imported vehicle, imported in a
14 complete and finished condition, paid an excise
15 and sales tax on bare duty paid value -- in the
16 case of the United Kingdom of course, it is duty
17 free -- whereas if a company undertook to ship
18 knocked down vehicles here and to do the assembly
19 work here it immediately becomes a Canadian manufacture
20 and subject to tax on the same basis as any other
21 Canadian manufacture.

22 THE CHAIRMAN: This inequity has pretty
23 well been removed.

24 MR. SMITH: That seems to have been removed.

25 THE CHAIRMAN: I am glad I asked this
26 because I was wondering whether you were asking
27 whether the 40 per cent content requirement was so
28 onerous that it deterred people from trying to enter
29 Canada, and that a lower content requirement either for
30



1 very low volumes, or at its very early stages of
2 assembly in Canada, should be arranged in order
3 that these companies be not practically prohibited
4 but rather encouraged?

5 MR. SMITH: Well, sir, in connection with
6 our proposal regarding assembly operations I did
7 have in mind that a lower percentage than 40 per
8 cent might be required; that there should be some
9 distinction.

10 THE CHAIRMAN: What percentage is the
11 rubber content?

12 MR. SMITH: Well, as I said, on a compact
13 car we figure \$110 is rubber, but I was not
14 thinking solely of rubber products. As I said,
15 there are other items such as batteries, battery
16 cables, spark plugs, headlamps, and so on ---

17 THE CHAIRMAN: All of which have a good
18 deal of rubber in them?

19 MR. SMITH: Some, possibly.

20 THE CHAIRMAN: You are a loyal representative
21 of your industry, Mr. Smith. I think that is all
22 I want to ask you. Thank you very much for
23 appearing.



SUBMISSION OF CANADIAN CO-OPERATIVE
WHEAT PRODUCERS LIMITED

Present: Mr. D.W. Richmond,
Secretary.

THE CHAIRMAN: Yes, Mr. Richmond?

MR. RICHMOND: Mr. Commissioner, my board appreciates very much your invitation to appear here and make an oral presentation. Their first thought was, perhaps, if we sent you a written submission that that would be satisfactory, but after the invitation came they considered it again and felt, perhaps, it would get a little more notice if we did appear, so it is only for that particular reason that I am here. However, if you wish to question some of the statements my appearance here does provide that opportunity.

There are one or two very minor changes that have been made in this submission, Mr. Commissioner, that we sent you. In other words, it has been edited very, very, little. I will read it without the appendices.

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3 The Canadian Co-operative Wheat Producers
4 Limited, which represents through the three Prairie
5 wheat pools, some 200,000 western grain growers, has
6 a two-fold interest in the outcome of your investi-
7 gation into the Canadian automotive industry: As
8 representatives of one of Canada's largest groups
9 of primary producers for the export market that is,
10 cereal grain and as representatives of a large body
11 of consumers who have direct interest in the avail-
12 ability of adequate consumer goods at reasonable
13 prices. On these two questions we have some ob-
14 servations that might be of assistance to your
15 deliberations.

16 We are an instrument through which the
17 Alberta Wheat Pool, the Saskatchewan Wheat Pool
18 and Manitoba Pool Elevators take joint action.
19 These three separate organizations are co-operative
20 grain handling and marketing enterprises whose sole
21 purpose is to serve their members and carry out
22 policies formulated by them. The combined member-
23 ship of the three provincial organizations is
24 approximately 200,000. Canadian Co-operative
25 Wheat Producers Limited, then can properly claim
26 to speak for the majority of Canadian grain producers.

27 Our farmers are deeply conscious of
28 the changes in the motor vehicle industry. First
29 from the point of view of the general public and
30 secondly because of the extent to which motor vehicles



1
2
3 have become an essential part of the farmer's equip-
4 ment. We learn that your appointment by the Govern-
5 ment results from representations made by the United
6 Automobile Workers and by the parts manufacturers.
7 When the Prime Minister, on July 28th, informed
8 the House of Commons that the separate appeals had
9 been made, he did not inform the House of Commons
10 as to the particular requests made by either the
11 United Automobile Workers or the manufacturers of
12 automobile parts. The Government recognizes the
13 importance of the automobile industry, an opinion
14 shared by all Canadians. This recognition is
15 shared by the grain producers for whom we speak.
16 The automobile industry is an important element
17 because of the extent to which the passenger car
18 affects our mode of life and the motor vehicle has
19 altered the pattern of many industries. We learn that
20 the retail sales of new motor vehicles sold in Canada
21 during 1959 was 502,606 units with a retail sales
22 value of \$1,540,168,000, both of these figures being
23 records. These statistics indicate the importance
24 of the automobile industry from an economic point
25 of view. In this submission to you, Mr. Commissioner,
26 while recognizing the fact that the automobile
27 is a necessary and essential feature of Canadian
28 life, we wish to deal with the economic importance
29 of both the automotive and agricultural industries
30 and their relationship to one another.



3 1
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3 The Western grain growers would not wish
4 this Commission or anyone else to get the impression
5 that Prairie people, whether grain growers or not,
6 fail to appreciate the problems facing many segments
7 of the industrialized areas of the country. However,
8 they want, in all fairness, to point out that there
9 is an honest conflict of interest between manage-
10 ment and labour of those industrialized areas and
11 the grain growers of the West about the kind of
12 solution which is best. It hardly need be re-
13 stated that the grain growers, as producers of
14 one of Canada's main export commodities, have been
15 through the years advocates of the freest possible
16 trade relations between Canada and all countries.
17 Grain growers have traditionally opposed any move
18 to increase Canada's tariff structure and they
19 have waged a constant and ever-continuing battle
20 to have present restrictions either lifted or
21 modified to allow greater freedom of the movement
22 of goods. They believe that since they must sell
23 75 per cent of their product on the world market
24 it is not only desirable but essential that the
25 nations to which they sell must be enabled to
26 send goods to Canada thereby providing the grain
27 producing countries with an opportunity of
28 earning dollars with which to pay for grain.

29 It is important to note that the bulk
30 of Canadian wheat exports are destined for areas



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3 which sell automobiles to Canada. For example, over
4 half goes to the United Kingdom and Western Europe.
5 During the last crop year, Great Britain took 93.9
6 million bushels or 35 per cent of all Canadian wheat
7 and wheat flour exports. In the post-war period this
8 share has varied from 31 to 70 per cent. West
9 Germany ranks as the third largest buyer of Canadian
10 wheat, with Japan taking over second place in
11 recent years..

12 I have added a very brief table relative
13 to the export of all five principal grains, and
14 it shows that to the United Kingdom last year it
15 was 130.3 million bushels, and to Germany it was
16 32.1 million bushels of the five principal grains,
17 and on page 3 which is headed, "Exports of Canadian
18 wheat to Certain European Countries" the detail
19 is given there. I don't suppose you would wish
20 me to read those figures; they are before you.
21 There is also a table of the exports of Canadian
22 wheat to all countries, and you will see that
23 272 million bushels of wheat were exported from
24 Canada last year.

25 We express the concern and the fear that
26 the request of the United Automobile Workers and
27 of the parts manufacturers may lead to a measure
28 of regulation for a form of protection which will
29 assure a larger share of the Canadian market to
30



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3 by restricting in one form or other the importation
4 of foreign made motor vehicles. Canadian farmers
5 are large purchasers of motor vehicles and as
6 such we repeat they are concerned with your inquiry,
7 with your findings, and with subsequent Government
8 action.

9 Tables indicating the extent to which
10 agriculture has adapted motor vehicles to its
11 method of operation are attached as appendages.

12 The figures given are cited as proof of
13 the extent to which Canadian agriculture is becoming
14 mechanized and industrialized. While the number
15 of farms has declined we find 22,000 additional
16 automobiles on farms in 1956 over the number on farms
17 in 1951, an increase in the number of motor trucks
18 on farms of 81,000, and incidental to your inquiry
19 but illustrating our point, the increase in the
20 number of tractors on farms in the five years
21 cited is 100,000, and the increase in grain combines
22 over the same period is 46,000. As large purchasers
23 of motorized vehicles our farmers are seriously
24 affected by changed in models, in performance
25 and in prices of these vehicles. The motorized
26 vehicle has become a major factor in the cost of
27 production of Canadian farmers and particularly of
28 the grain growers in the three Prairie provinces.

29 Publicity has been given to certain
30 unhealthy aspects within the automotive industry.



We have previously stated the fact that, using Dominion Bureau of Statistics figures, the total sales of new motor vehicles in 1959 reached an all-time high, a new record. This being so we must assume that the industry in itself is in a satisfactory position. We find that D.B.S. in its report on manufacturing gives figures under the heading "Transportation Equipment." It seems to us that the statistic covering transportation equipment would approximate that for the automotive industry. Both the index figure for employment and aggregate payrolls are down from the 1958 figure but substantially higher than that of 1949. Taking 1949 as the base the Dominion Bureau of Statistics show employment up in 1959 and in April 1960 at 112.3, while the aggregate payroll for 1959 gives an index of 192.2, and for April 1960, 201.6.

In view of the picture presented by these statistics, perhaps the grain growers in Western Canada can be forgiven if they fail to appreciate that an alarmingly distressed condition exists in that phase of Canada's economy devoted to the production of transportation equipment. These same growers, as purchasers of automobiles and trucks are disturbed over the steadily increasing cost of these vehicles. Recognizing that the prices have kept pace with inflationary trends in Canada, they are disturbed with the mechanics which force



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3 upward the price of goods which these grain growers
4 must buy. A solution to the spiral inflationary
5 process has eluded business, industry and Government.
6 An answer has not been found, yet the people who
7 suffer from this process are the producers of primary
8 products among which must include wheat and other
9 grains.

10 The thinking and attitude of grain
11 producers is influenced by their own economic
12 position. This is not peculiar to our farmers.
13 It is a statement that can be applied to every
14 Canadian. Our attitude to others may be influenced
15 by our sense of well-being, yet while the grain
16 producer is faced with declining income and in-
17 creasing costs he is not unsympathetic to other
18 economic groups in our nation. The facts are that
19 the Western Canadian wheat grower must secure ex-
20 panding overseas markets at higher prices than now
21 prevail or he must cut his cost of production.
22 The income and attitude of the grain producers can
23 be illustrated by statistics covering both a long
24 range trend and the more immediate development.
25 D.B.S. reports that since 1947 the price of wheat
26 on the farms of Western Canada has declined 21 per
27 cent, while the costs of goods and services have
28 increased by 60 per cent.

29 Net farm income for 1959 is stated by
30



the Dominion Bureau of Statistics to be \$1,191,870,000, a decline of \$161 million from the previous year, a decrease of 11.9 per cent in the 1959 net income compared with that of 1958. The Dominion Bureau of Statistics also point out that the total farm operating expenses and depreciation charges in 1959 were 5.3 per cent above the figure for 1958, and 10.8 per cent above the figure for 1957. These figures are cited by D.B.S. at \$1,890.5 million in 1959, and \$1,795.8 million in 1958.

The grain grower is desirous of sharing in the growing and buoyant Canadian economy. He believes that this buoyancy is in some considerable measure the result of large exports which Canada is able to make, and of these large exports wheat is a prominent factor. He believes also that it would not only be to his benefit as the grower of this product, but to all Canadians if this export market for wheat flows at full tide, and he knows that if wheat is to flow freely to buyers in other nations we must be willing to buy the goods which they have to offer. We think this is desirable not only from the point of view of the grain producer himself but from the consideration of Canada's business life. The importation of British and European passenger and commercial vehicles into Canada rose sharply in 1959. The



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3 Dominion Bureau of Statistics record that 122,340
4 units were sold in Canada in that year compared to
5 83,863 in 1958, and the retail value of these units
6 in 1959 was \$243,008,000, a rise from \$165,273,000
7 in 1958. Based on the retail sale price of new
8 motor vehicles in Canada during 1959, 26 per cent
9 were of British or European origin while in 1958
10 the percentage of British and European passenger
11 and commercial vehicles sold in relation to the
12 total sales was 20 per cent.

13 The latest report which I have, Mr.
14 Commissioner, is from January to July, 1960, and
15 of the total sales, 25 per cent were British
16 and European origin.

17 There can be no doubt that this popularity
18 of the British and European passenger car is
19 indicative of the desire of the Canadian public
20 to choose from a wider range of models than has
21 yet been provided by Canadian manufacturers and
22 here we refer to models not on the basis of
23 superficial trimming but on that of fundamental
24 structure. The problem of motor car sales within
25 Canada seems to hinge mainly on the apparent
26 rejection by some portions of the market for a
27 high-powered, gadget-encased models whose annual
28 price tag has been rising with the addition of
29 each new gadget or piece of chrome.
30



We believe that only a part of the automobile industry is affected by the increasing number of British and European made vehicles which are sold. These vehicles are handled through dealerships, they are serviced and maintained in much the same way as vehicles made in Canada. Therefore, we think that this branch of the automotive industry is not greatly affected by these importations. The figures supplied by the Canada Year Book show that there were sixteen establishments making motor vehicles, and 198 establishments making motor vehicle parts in Canada, with employees numbering 35,099 and 21,471 respectively. There were therefore fewer than 60,000 employees engaged in the production of motor vehicles and motor vehicle parts. These figures were taken from the 1956 Year Book, Mr. Commissioner.

Perhaps the 60,000-odd employees of the Canadian automotive manufacturing plants may be affected to some degree because they are required to compete with an imported product. We suggest that the conditions surrounding the employees in the automotive manufacturing industry are precarious and always have been. For many of these employees their work is seasonal, influenced as it is by the production of new models which flood the market periodically.

We recognize that our country, Canada, is



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3 faced with a problem of unemployment of such
4 dimensions as to give authorities some concern and
5 that some of this unemployment exists in the auto-
6 motive industry. The Dominion Bureau of Statistics
7 estimates Canada's labour force to be 6,623,000, of
8 which 6,303,000 were employed in August last,
9 leaving 322,000 men and women seeking work. Those
10 without jobs represent 4.9 per cent of the total
11 labour force. There is, we learn, a good deal of
12 fluctuation in the labour market. Between July
13 and August there was an increase in the number of
14 persons seeking work of 11,000. Almost all of this
15 increase is attributed to automobile plant shut-
16 downs for model change over and reduced activity
17 in the construction industry.

18 In conclusion, the Prairie grain growers
19 submit that the problems of the Canadian automotive
20 industry can be solved in a large part by the
21 industry itself. The grain growers are concerned
22 about the quality and performance of passenger cars
23 and trucks that are available to them. They are
24 equally concerned that the price of these vehicles
25 should not continue to rise, contributing ad-
26 ditional pressure to the already mounting cost-
27 price squeeze faced by many portions of the farm
28 community, particularly those who grow Prairie
29 grain for export.
30



But this concern aside, the grain growers are ever vigilant against any move by anyone to increase tariffs and trade restrictions against goods entering Canada from countries which are potential purchasers of Canada's high-quality grain crops. This submission to your Commission is primarily aimed at making this single point. The success of Canada's grain-for-export industry is vitally important to the whole economy and the makers of automobiles ought to know that as well as the rest of the country. It is not a regional industry, although it happens to be placed on the Prairies. It is a national industry, its products contribute greatly to Canada's international trade and the advantages of continuing high trade in grain will accrue to all Canadians.

Canadians, whether in industry, manufacturing or agriculture, should work for an expanding market and be able to meet free and fair competition.

That, Mr. Commissioner, is respectfully submitted by the Canadian Co-operative Wheat Producers Limited.



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3 THE CHAIRMAN: Thank you very much. I
4 don't think I am going to question you. I am going
5 to make a little speech to you.

6 I am going to suggest you buy a record of
7 the proceedings of the whole hearing. I also am
8 inclined to say that it was wise of you to come.
9 However, it has become more and more clear that
10 the purpose of these hearings is not only communi-
11 cation between those who submit briefs and me, but
12 between those who will be submitting briefs. What
13 I regret is that while representatives of the
14 automobile industry and parts industry have heard
15 your submission -- and when you appear in person
16 it makes a greater impression than just reading
17 a document -- I regret that you were not here yester-
18 day when the unions were here, and I regret that
19 you were not here when the manufacturers made their
20 presentations or, I believe, when the parts
21 manufacturers made their presentation.

22 Now, while this is a very strong ex parte
23 representation on behalf of one group in Canada,
24 and while it is desirable that this should be
25 considered and heard by those concerned directly
26 with the automobile industry, it does seem to
27 me a little desirable, too, that the farmers
28 of the Prairie and their organizations should pay
29 some attention to the problems of industry in
30



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3 this part of the country.

4 I think perhaps I would have refrained from
5 this sermon if you had not used one word, but when
6 you referred to the fact that unemployment was
7 giving some concern, I was shocked, and I wished
8 you had been here when the representative of the
9 unemployed workers of Windsor was making his presen-
10 tation. This is not a matter of some concern,
11 this is a matter of dreadful concern to all
12 Canadians. That is the sermon.

13 If I could ask one question. Have you
14 many imported cars on the Prairie?

15 MR. SMITH: A substantial number, yes --
16 not on the Prairie farms, in the Prairie towns,
17 yes.

18 THE CHAIRMAN: It is an urban problem,
19 not a rural problem.

20 MR. SMITH: Yes.

21 THE CHAIRMAN: It has been said that
22 we were depriving the farmer of his imported car
23 when really we were depriving the city slicker
24 of his imported car. I have a lot of sympathy
25 for the farmer.

26 MR. SMITH: I think many farmers in the
27 Prairies provide a market for second hand cars;
28 they don't buy new cars.

29 THE CHAIRMAN: And the second hand car
30



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is cheaper than the imported car.

MR. SMITH: Yes.

THE CHAIRMAN: I hope on the one hand you
have forgiven me and on the other hand taken to heart
my sermon.

---Whereupon the hearing adjourned.

V. W. Bladen



CANADA

ROYAL COMMISSION ON

THE AUTOMOTIVE INDUSTRY 1960

HEARINGS

HELD AT
OTTAWA

VOLUME No.: 1

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SUBMISSION OF:

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ROYAL COMMISSION ON THE AUTOMOTIVE INDUSTRY 1960

Ottawa, Ontario,
28th October, 1960.

---Held before Vincent Wheeler Bladen, Commissioner,
at the Parliament Buildings, Ottawa, Ontario.

PRESENT:

| | | |
|-------------------|---|-----------------------------|
| Mr. C.D. Arthur |) | Economic advisers to the |
| |) | Commission |
| Mr. S. Stykolt |) | |
| Miss E. Leitch | | Secretary of the Commission |
| Mr. L.P. Kavanagh | | Administrative Officer |



SUBMISSION OF THE GOVERNMENT
OF SASKATCHEWAN

Present: Hon. Russ Brown,
Minister of Industry and
Information.

THE CHAIRMAN: Mr. Brown?

HON. MR. BROWN: Is the procedure to read
the brief?

THE CHAIRMAN: No. I was hoping that you
would summarize it, highlight it, and let me
discuss some elements with you.

HON. MR. BROWN: Well, I think possibly we
can turn to the conclusions arising from the brief
itself on page 20 and from there to page 24, which
is not too lengthy, and will pretty well summarize
our submission.

On the basis of the foregoing discussion
we would suggest that, in order to be effective,
policies for the Canadian automotive industry must
deal with basic industry policies, the factor of
the limited size of the Canadian market and the
economic recession.

We feel that to impose new tariff barriers
or use other protective devices to solve the problems
of the industry would be to ignore these basic
factors. We wish to state most clearly and
emphatically that we are opposed to an increase in
tariffs. We are concerned by the extent to which
Canada's trading relationships particularly with
the United Kingdom would be jeopardized by such steps.



1 The Commission will not need to be reminded
2 of the fact that the United Kingdom is by far the
3 most important market for Canadian wheat nor that
4 Saskatchewan as the supplier of about two-thirds of
5 Canada's wheat has a special interest in the
6 maintenance and expansion of that international
7 wheat market. We believe that we are speaking for
8 all regions of Canada when we express our concern
9 about the dangers to trade with the United Kingdom
10 for many other regions besides the prairie area
11 are dependent on the United Kingdom for the sale
12 of a significant share of exports of local commodities.
13 Exports of forest products to the United Kingdom
14 rank in total very close to those of wheat. Then
15 too there are substantial exports from Canadian
16 mines and refineries, salmon fisheries as well
17 as other grains and specialty crops like tobacco
18 and soya beans. For instance in 1959 37 per cent
19 of Canada's exports of copper ingots, 42 per cent
20 of nickel exports and 45 per cent of exports of
21 zinc spelter went to the United Kingdom. Clearly,
22 some aspect of the economy of all regions of Canada
23 would be adversely affected by policies that would
24 restrict trade with the United Kingdom. We feel
25 that the Canadian motor vehicle industry itself
26 would ultimately be adversely affected by any loss
27 of United Kingdom markets by any region of Canada.

28 Frankly we are alarmed at the rising chorus
29 of demands for increased tariff protection, demands
30



1 that we believe to be detrimental to the long-run
2 advancement of Canada in the world economy. These
3 can only be interpreted as pressures for heightened
4 economic isolationism. There seems to be an
5 increased tendency for each industry to press for
6 piecemeal solutions to their own particular problems
7 without sufficient regard to their over-all
8 effect on the Canadian economy. Indeed, there is a
9 disturbing parallel between these present demands
10 and the protectionist policies adopted so sidely
11 and so ineffectively during the depression of the
12 thirties.

13 We hope the lesson of that experience will
14 not have to be learned again. The futility of such
15 policies is made clear in one of the reports on
16 "Canadian Secondary Manufacturing Industry" made
17 for the Royal Commission on Canada's Economic
18 Prospects which stated: "Added protection for
19 secondary industry diverted an increased share of
20 the existing Canadian market to the domestic
21 producer, reducing unemployment somewhat at the
22 expense of the foreigner, but the fall in the total
23 market nevertheless overwhelmed any rise in the
24 Canadian share in most cases.'

25 We believe that it would be much more the
26 course of wisdom to explore the possibility of a
27 basic re-organization of the motor vehicles industry.
28 For instance we believe it is unfortunate that the
29 Canadian industry has so closely imitated the trends
30



1 and fashions of its United States counterpart.
2 We realize how closely the two industries are inter-
3 related both in ownership and in other ways but
4 we believe that much greater autonomy could be
5 displayed by the Canadian industry. There is some
6 indication that the Canadian industry has already
7 suffered as a result of its lack of independent action.
8 It might be suggested, for instance, that the lower
9 incidence of European imports in the United States
10 as compared to Canada is some indication that the
11 American model is better adapted to the United
12 States market than to that of Canada and yet the
13 United States models have been in effect foisted
14 on the Canadian market. We should like to see the
15 industry give consideration to the production of a
16 Canadian automobile, an automobile that would be
17 more utilitarian, less subject to model changes,
18 easier to repair and less expensive than the recent
19 American models. Such an automobile should provide
20 for the special conditions of Canadian winters.
21 We have reason to believe that the elimination of
22 annual model changes alone would do much to make
23 such a step by the Canadian automobile industry
24 economic. In addition, we should like to see more
25 consideration given to the manufacture of low-cost
26 trucks.

27 We recognize that there are intrinsic
28 difficulties in the path of some of these changes.
29 It is widely accepted that the Canadian market, and
30



1 particularly one divided among three principal
2 manufacturers, is too small to permit as low-cost
3 production as is possible in the United States.
4 Nevertheless it should be recognized that taking
5 into account the sometimes artificial restraints
6 that have been placed upon it, the Canadian motor
7 vehicle industry is probably one of the most
8 efficient in the world. The growth of imports has
9 been in models where the Canadian industry has
10 nothing to offer as an alternative.

11 It may well be that re-organization of the
12 Canadian industry itself would be insufficient and
13 that a basic re-organization of the whole North
14 American motor vehicles industry would be required.
15 We urge that the Canadian government in conjunction
16 with representatives of both management and labour
17 of the Canadian industry should now discuss with
18 their counterparts in the United States arrangements
19 to enable both the Canadian and United States plants
20 to share in all the North American market. We
21 believe it would be the course of wisdom to follow
22 the example of policies concerning the farm implements
23 industry where more economic production has been
24 made possible by the tariff-free movement of farm
25 implements across the border. Just as many
26 combines are made in Canada for export to the
27 United States and many farm tractors are made in
28 the United States for export to Canada, we believe
29 it would be possible for some passenger car models
30



1 to be manufactured in Canada for the total American
2 market for those models while other models are
3 manufactured in the United States for the North
4 American market.

5 Undoubtedly this type of re-organization
6 would have to be accompanied by action on the part
7 of both governments to adjust the tariff structure
8 on motor vehicles and parts. Some assurance
9 would be required from the companies concerned
10 regarding the scope of their operations in both
11 countries before the necessary tariff changes
12 could be proceeded with. Nevertheless, we believe
13 such a step would be of benefit to all concerned.
14 It would permit lower cost production and accordingly
15 lower prices for the Canadian consumer even if
16 wages for those employed in the Canadian motor
17 vehicle industries were raised to the United States
18 level. It should facilitate greater employment in
19 the industry and on balance provide for increased
20 production although we recognize that this would
21 depend on the arrangements concluded. Undoubtedly
22 one of the greatest attractions of this proposal
23 is that it might enable the manufacture of a
24 Canadian car since access to the whole North
25 American market would provide the sales volume
26 necessary to make economic production possible. We
27 believe an imaginative approach of this kind should
28 be undertaken without delay.

29 Finally, we believe that the most essential
30



1 step of benefit to the motor vehicle industries
2 would be the achievement of general prosperity
3 and full employment in the whole Canadian economy.
4 This general objective certainly comprehends
5 measures to raise depressed agricultural income,
6 and to support high levels of employment and economic
7 activity generally.

8 May we repeat that we feel most strongly
9 that the maintenance of a soundly-based Canadian
10 motor vehicle industry is of paramount importance
11 to Canada as a whole and we trust that the brief
12 hereby submitted will be of some help in the
13 achievement of this end.

14 Since the brief of the Saskatchewan govern-
15 ment was prepared, the federal government has invoked
16 its arbitrary valuation powers under the Customs
17 Act against European car imports. This has been
18 done even before this Royal Commission began its
19 public hearings on the automotive industry and is
20 in the face of representations since made. I want
21 to protest this as an unwise and possibly disastrous
22 step that should at the least have been postponed
23 until this commission had considered the whole
24 question and made its report. I hope that the
25 Commissioner can make his own representations to
26 the government even before his report is completed
27 to have this decision postponed.

28 In my view, this step is a supreme example
29 of what not to do to the automotive industry, an
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1 action equivalent to doubling the tariffs on
2 Western European cars and the virtual abolition
3 in relation to the United States of the Commonwealth
4 preference on United Kingdom cars. This is being
5 done in an era in which trade barriers are being
6 lowered and Canada is hoping to increase trade with
7 the United Kingdom and Western Europe instead of
8 being so exclusively dependent on the United States
9 market.

10 I want to urge again that instead of this
11 narrow, self-defeating policy which serves to
12 isolate Canada ever more from the world on which we
13 depend that the problems of the automotive industry
14 be approached with imagination and in a positive
15 manner. Basic weaknesses of industry structure
16 and policy should be resolved. Certainly a new
17 approach by the industry to the consumer is long
18 overdue. We all make mistakes but it appears that
19 the mistakes of the automotive industry have more
20 horsepower to the pound and more chrome and glitter
21 to the square inch than those of almost any other
22 industry or agency.

23 But above all, we must overcome the lag in
24 Canada's economic growth that more than any other
25 factor has created problems for the automotive
26 industry apart from the industry's own policies.
27 I fear that this latest action by the federal
28 government in following a course of action that it
29 has criticized when engaged in by other countries
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1 can only further complicate the problems of our
2 economy and postpone the steps necessary to the
3 prosperity of the Canadian automotive industry.

4 THE CHAIRMAN: My first comment is on the
5 brief as submitted, not on this latest comment.

6 It is sometimes difficult for a professor,
7 when acting as a Royal Commissioner, not to behave
8 as a professor. Professors are usually grading
9 essays. It was not necessary to grade the submissions,
10 but if we were grading the submissions the brief
11 of the Province of Saskatchewan certainly would
12 be coming somewhere near the top. We congratulate
13 you on its quality.

14 HON. MR. BROWN: Thank you, sir.

15 THE CHAIRMAN: Your argument in the brief,
16 or one element of it is high level employment;
17 that is the important element in solving the current
18 difficulties of the automobile industry. You don't
19 give any indication of what increased sales of
20 cars there might have been if income had increased
21 at the rate at which it had been increasing in
22 the previous few years. Do you really think that
23 the decline in income is a very significant element
24 in explaining the decline in production? Is it
25 really significant as compared with the great
26 increase in imports?

27 HON. MR. BROWN: I think that is true,
28 speaking of the Province of Saskatchewan particularly.
29 I think you can probably notice an effect on
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1 automotive sales more in the Province of Saskat-
2 chewan than in most other areas, with the
3 fluctuating factor of income. You can readily obtain
4 this kind of information from the automotive dealers
5 throughout the province from year to year, and it
6 seems to be borne out that their sales do go up and
7 down in accordance with the fluctuations in the
8 income of the farming population in the province.
9 This is not only true of the automotive industry.

10 THE CHAIRMAN: The Province of Saskatchewan
11 is a very small part of the whole, and, in fact,
12 the interesting thing is how well sales have been
13 maintained but how domestic sales have fallen.

14 HON. MR. BROWN: Yes.

15 THE CHAIRMAN: You take a line which I
16 found unconvincing when taken by the English
17 representative, that these imports are not really
18 competitive, these are just extra sales, and perhaps
19 this is related to your income view, that the
20 sales of Canadian cars have gone down, and that an
21 imported car is just added to the market. Do you
22 think that is true?

23 HON. MR. BROWN: It may be stated, yes.

24 THE CHAIRMAN: But do you really think so?
25 I was quite honest in saying that for my wife,
26 in making a choice, the Falcon or the Valiant or
27 the Corvair and the Hillman and the Mercedes, and
28 so on, were all lined up as the things between which
29 she chose, and if she bought a Hillman this is something
30



1 additional she is purchasing and this didn't
2 affect in any way the sales of Falcons. That is
3 nonsense. I don't see how people can say that.
4 There must be something in it; intelligent people say
5 it, and I am trying to press you to explain it.

6 HON. MR. BROWN: I think I can explain it
7 this way, that we know from experience in the
8 Province of Saskatchewan -- and we have a large
9 number of low income families -- that there are
10 families who are driving automobiles today simply
11 because they are able to obtain a Volkswagen, and
12 it is the price which prevents them from owning or
13 buying a car.

14 THE CHAIRMAN: Owning or buying a new one?

15 HON. MR. BROWN: It is not only the
16 original purchase value you have to consider but
17 the maintenance and operating cost you have to
18 take into consideration. I don't drive a
19 Volkswagen, but I understand they are much more
20 economic to operate than the car I am driving at
21 the present time.

22 THE CHAIRMAN: It may be cheaper to operate,
23 but you made the other choice; so did my wife.
24 All I am saying is that these are really competitive.
25 When you get to some sports cars and some luxury
26 cars, that is different. To treat the main imports,
27 and in particular, let's say the Vauxhall and
28 the Zephyr, as being something that is so different
29 that it doesn't compete, I just can't follow it.
30



1 HON. MR. BROWN: You probably get into a
2 class of imported cars where that statement wouldn't
3 hold true. But I am thinking of a vehicle such as
4 the Volkswagen, where it is looked upon probably
5 as the ultimate in low-cost transportation, and I
6 would say there is not a vehicle which compares
7 with it at the present time available.

8 THE CHAIRMAN: You seem to want a Canadian
9 car which isn't an imitation of the American. You
10 don't want model changes. You have heard of the
11 Beaver.

12 HON. MR. BROWN: Yes. Well, it is something
13 along those lines.

14 THE CHAIRMAN: How much are you prepared
15 to pay for it?

16 HON. MR. BROWN: I would think it would be
17 somewhere comparable in cost or value to the level
18 of a Volkswagen or --

19 THE CHAIRMAN: Do you know how many units
20 Volkswagen produces?

21 HON. MR. BROWN: No, I don't.

22 THE CHAIRMAN: One of the advantages of
23 these hearings is that a lot of people have been
24 listening through the week, and I was a little
25 harsh on the representative from the prairie. They
26 are pushing towards a million a year. This is a
27 chance of getting costs down. Do you see a chance
28 of us producing this Beaver in any large scale?

29 HON. MR. BROWN: Not if the market were
30



1 confined strictly within our own borders, no.

2 THE CHAIRMAN: And having experience of
3 wheat, you know how difficult it is to sell abroad.
4 Do you think it is easy to sell cars abroad?

5 HON.MR. BROWN: I have never undertaken it.

6 THE CHAIRMAN: We can assume there is as much
7 resistance to taking our cars as there is to taking
8 our wheat.

9 HON. MR. BROWN: That may be so.

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THE CHAIRMAN: You want to get rid of these model changes. Suppose that the Canadian firms, however, decided not to change models -- of course, the Americans would be changing, we can't change that -- but the Canadians would be travelling into the United States and the Americans would be travelling into Canada; do you think we would have maintained even the level of domestic sales that we have maintained if we had given up model change?

HON. MR. BROWN: I believe that we would; I believe that we would. I frankly don't think there is a terrific demand for model changes which the industry seems to feel that there is. The imported cars have no difficulty in selling their product.

THE CHAIRMAN: Have you noticed that Volkswagen is increasing the number of its colours and it has added a few horsepower; I suppose it will get steadily wider and longer until at last there will be a great complaint that imported cars are so big and that of course we will buy our small domestic ones.

HON. MR. BROWN: There have been some changes in the Volkswagen, for example, that is true, but these have been, I suggest, minor changes. In the vehicle itself it is difficult to tell a 1960 model from one of years ago.

THE CHAIRMAN: If you have followed the



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3 press at all you will have realized that I have
4 been exploring the idea which you present here,
5 that somehow we develop a bigger market, and your
6 idea, I take it, is free trade?

7 HON. MR. BROWN: Right.

8 THE CHAIRMAN: But it is not quite, is it?
9 Is it free trade with no guarantees, or is it free
10 trade with some understandings about what may not
11 move?

12 HON. MR. BROWN: I would think there would
13 have to be some built-in understandings in an arrange-
14 ment of this kind.

15 THE CHAIRMAN: This is much more my feeling,
16 and I am almost amazed to get any such doubt as to
17 the value of free trade from a Prairie --

18 HON. MR. BROWN: It is a very slim doubt,
19 shall we say.

20 THE CHAIRMAN: You have no worries, I take
21 it, of the sort that have been presented here about
22 the political disadvantage of any such integration
23 of the markets?

24 HON. MR. BROWN: I think, generally speaking,
25 the answer to that would have to be no, I have no
26 great fear in that area. I would suppose that this
27 would give rise to some concern in the minds of
28 some Canadians with respect to the free movement
29 into the Canadian economy of American interests, but
30 on the whole I think people would generally recognize



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3 that this would possibly be a somewhat different
4 situation beside that which might occur to offset
5 any disadvantages which might arise.

6 THE CHAIRMAN: One worry which you raised
7 by your brief is that you seem to assume that this
8 would mean that wage levels in the automobile
9 industry in Canada and the United States would
10 equalize?

11 HON. MR. BROWN: That is an assumption,
12 yes.

13 THE CHAIRMAN: You realize, of course, that
14 wage levels in the automotive industry in Canada
15 cannot be far out of line with the wage levels in
16 Canadian industry generally?

17 HON. MR. BROWN: Yes.

18 THE CHAIRMAN: The problem for Canadian
19 industry generally, and perhaps for the Prairie
20 farmer, is the buyer of Ontario products, and if the
21 wage level of Ontario was to rise in response to
22 this rise in the automobile industry, it would
23 be a little worrying, wouldn't it?

24 HON. MR. BROWN: Yes, it probably would be
25 so, sir.

26 THE CHAIRMAN: The scheme -- and I keep
27 sometimes calling it mine, and I have to remind myself
28 it is not mine, but one which I have been exploring,
29 really, and it assumes that these wage levels will
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3 remain somewhat different; that is one of its
4 advantages.

5 Now, I have received from you at the last
6 minute a further submission, and I suppose in a way
7 I probably should refuse to discuss it without having
8 had time to consider it, but again it leads me to
9 say that I think it is a pity you had not heard
10 some of the argument earlier.

11 I have made a public statement, and I
12 make it again, that I don't consider that the
13 direction of the Government in any way was improper
14 in relation to my Commission; this action was as a
15 result of study over a very long period, and careful
16 study, and it did not involve any changes in the
17 law, the interpretation of that law. It has been
18 very fully argued, and I am not saying now whether
19 I consider it right or not, but the disadvantage to
20 Canada of calculating sales tax and excise tax on a
21 different basis in Canada and for imports could very
22 effectively be argued as a subsidy to imports.

23 The permission to use a value for duty
24 below a fair market value in the country of origin
25 is quite clearly contrary to our legislation and
26 of special difference, which is in accordance with
27 GATT, so that the suggestion in this statement
28 that the Government has raised the tariff is, I
29 think, one which requires some interpretation.
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3 However, I don't think there is any point in arguing
4 now with you whether this revision in the interpretation
5 of the existing law was or was not proper. I
6 hope that you will study the briefs submitted by
7 other parties and perhaps a transcript of the hearings
8 before you continue to do battle quite so vigorously
9 in this particular cause.

10 HON. MR. BROWN: Yes.

11 THE CHAIRMAN: I think that is all I
12 wish to ask. Thank you very much.
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SUBMISSION OF
CANADIAN FEDERATION OF AGRICULTURE

PRESENT:

Mr. David Kirk

THE CHAIRMAN: We will now have a statement on behalf of the Canadian Federation of Agriculture by Mr. Kirk.

MR. KIRK: This is the President of the Federation with me.

Sirs, The Canadian Federation of Agriculture welcomes this opportunity of appearing before you. Our position, put very simply, is that the level of protection presently being afforded the Canadian Automotive Industry should not be increased. Our submission which we filed with you some time ago was prepared and submitted prior to the time when we had knowledge that these public hearings would be held. In that statement we did not enlarge upon the dangers to the export markets of the Canadian agricultural producer which are created by present demands in some quarters for an increased degree of protection to the Canadian automotive industry. We think these dangers are clear, not only as they apply to our agricultural, and particularly our grain, exports, but as they apply to the entire export trade of a fundamentally trading nation like our own.



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3 Just a very few facts might well be
4 presented, however, to indicate how important our
5 agricultural trade is to Canadian agriculture and
6 to the Canadian economy. As well we have a very
7 few figures on what agriculture has been experiencing
8 in income reduction and squeezing out of the labour
9 force. These latter figures will explain why the
10 farmer understandably feels deeply concerned about
11 threats of further inroads on his markets, and
12 further additions to his costs. These facts are:

13 In 1959 agricultural exports represented
14 the following proportions of our total export trade:
15 (Calculated from data in 'Trade in Agricultural
16 Products with the United Kingdom, United States
17 and all Countries', Canadian Department of Agri-
18 culture).

19 To all countries - 19 per cent of total exports

20 To all countries except the U.S. - 39 per cent
21 of total exports

22 To the United Kingdom - 39 per cent of total
23 exports

24 To West Germany - 51 per cent of total exports

25 Of our total agricultural exports in 1959
26 of nearly \$970 million, 52 per cent represented
27 wheat and wheat flour.

28 On the income and employment side, between
29 1949 and 1959 the following occurred in Canadian
30



agriculture: (Calculated from O.B.S. data on
Net Farm Income and Labour Force Surveys).

Total net farm income in constant dollars
fell 35 per cent

Net farm income per farm operator in constant
dollars fell 5 per cent

The number of farm operators fell 32 per cent

The farm labour force fell 35 per cent

In recent times few industries, and none
approaching agriculture in size and natural
immobility based on location and social preference,
has experienced this kind of economic wringing
out in so short a time.

We are not expert witnesses on the
economics of the automobile industry. In our
presentation we cited the Sun Life of Canada study
done for the Royal Commission on Canada's Economic
prospects which anticipated a continuing successful
expansion of the Canadian automotive industry
based on the present tariff structure. We noted
that in the case of passenger cars at least the
trend in recent years has been quite sharply to
increase imports. The Sun Life study indicated
that it expected such shifts would, if they
occurred, prove to be of essentially short term
duration.

We noted with approval the view which had



at that time been presented to the Government by the United Automobile Workers that they did not think tariff protection was an answer to the problems of the industry, but that its better organization to supply today's consumer needs, and its better integration, perhaps, with the United States Automobile Industry as a whole, was the right direction in which to look.

These are matters which you will be studying. Our purpose was and is to indicate that it is far too early in our opinion, for the automobile industry to cry wolf in this matter. We feel that the adverse effects on our own export trade of increasing protection to the industry would certainly be significant and would lead to shrinking markets for our agricultural products. We feel also that increased protection would mean a burden of additional cost on the consumer, including the farmer, which it is quite unnecessary to ask him to bear in a dynamic and growing industrial economy.

There has been something like a threefold increase in the share of the passenger vehicle market enjoyed by imported cars. This increased share to imports has not increased as sharply for the automotive vehicle business as a whole, of course. In this connection we would like to emphasize very



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3 strongly that although we have cited the Sun Life
4 Studies to indicate our skepticism of the fact that
5 present protection to the industry is inadequate,
6 it is not necessary to our argument, or to the
7 economic objectives that we think should govern
8 Canadian economic policy, to claim that the Canadian
9 industry will in fact regain its former share of the
10 market. Our whole point is that trade is a good
11 thing for Canada -- a vitally necessary thing, and
12 increased trade in a product is not a bad thing even
13 if it cuts into Canadian markets as, in a narrow sense,
14 it often must.

15 It has been shown, I think, that a good
16 deal of the complaints about foreign competition
17 in the automotive industry spring from a change in
18 the nature of consumer demand. Though the industry
19 has suffered a severe contraction in employment one
20 would not, we suggest, be justified in concluding
21 that the Canadian automotive industry is in severe
22 jeopardy with consequent severe economic and social
23 disruption. We do not think that action through
24 the tariff is in any case the best way to meet the
25 consequences of any hardship and dislocation to workers
26 that may be involved. We do not believe that the
27 retention of any particular share of the automotive
28 market should be considered a mandatory requirement
29 of Canadian economic policy in a growing economy.
30

The first thing I noticed when I stepped
out of the car was the cold air. It was a
sharp contrast to the warm blanket I had been
under.

I had been told that the weather was
perfect, but it felt like I had been thrown
into a freezer. The wind was biting, and the
clouds were heavy. I shivered as I walked
towards the entrance of the building.

The door was open, and a warm glow
emanated from within. I hesitated for a
moment before stepping inside.

The interior was a stark contrast to the
outside. The air was warm and smelled of
polished wood. The walls were covered in
tapestries, and the floor was made of
dark stone. I looked around, trying to
take in everything.

A man in a dark suit and white shirt
approached me. He had a friendly smile
and a warm handshake.

"Welcome to the hotel," he said. "I'm
Mr. Smith, the manager. How can I help
you?"

I told him I was looking for a room for
the night. He led me to a small, cozy
room with a comfortable bed and a
view of the city.

The room was perfect. It was clean, well-
furnished, and had everything I needed.
I took a shower and got ready for bed.

As I lay in bed, I thought about the
day ahead. It was going to be a long
one, but I was ready for it.



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3 If a move toward reciprocal trade arrange-
4 ments with the United States that would give the
5 Canadian industry a special, viable place in the
6 North American automobile industry were possible,
7 there would seem to us to be a great deal of merit
8 in the idea. This would be essentially a move
9 toward freer trade, not toward economic self-
10 sufficiency. The reciprocity between Canada and
11 the United States enjoyed by the farm machinery
12 industry is a successful working arrangement that
13 farmers value.

14 Probably a part at least of the weakness
15 shown in the level of output of the Canadian auto-
16 motive industry is a result of the generally lagging
17 state of growth in the economy -- again a problem
18 which it would be quite inappropriate to meet with
19 increased protective measures.

20 In short, our attitude is that Canada
21 should stick in this case to its national post-war
22 policy of expanding and freer trade. In the context
23 of such a policy tariffs cannot be used as an
24 instrument to protect, at all times, each individual
25 group of manufactures in this country whenever
26 it runs into trouble -- even such an important
27 industry as the automotive industry. National
28 policies to meet the strains and stresses of
29 economic adjustment may be desirable, but the
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3 tariff is the least acceptable and efficient
4 means to such an end that could be devised.

5 We would recommend that essentially the
6 future of the Canadian automotive industry be
7 left in its own hands, its own imagination and
8 initiatives, within the present structure of
9 tariff protection, unless, as we mentioned, a
10 feasible move toward some form of reciprocity can
11 be developed.

12 Finally, we would certainly support what
13 seems to us the almost universal demand that the
14 special excise tax on automobiles be removed. Not
15 only does this tax infer a luxury status to the
16 automobile that is quite out of line with the facts
17 of its use -- especially the facts of its use on
18 farms -- but it does, admittedly, accentuate price
19 differences between automobiles in the market and in
20 so doing adds a competitive factor, adverse to the
21 Canadian industry, that would be better eliminated.

22 THE CHAIRMAN: Thank you very much.
23 Some of my comments to Mr. Brown apply to you.
24 Perhaps you might go back to the buyer in Windsor.
25 I think in terms -- oh, you live in Ottawa, I
26 am sorry; I suggest a trip to Windsor just to
27 get some feel of the jeopardy.

28 I am interested, of course, that you
29 also encourage me to explore methods of reciprocal
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trade with the United States. Is it free trade,
abolition of tariffs both ways, that you would
like to see achieved? Would you worry about
some of these guarantees that Mr. Brown would want
to include?



1 MR. KIRK: I think it was clear from our
2 submission, sir, that we were rather tentative on
3 the subject. Our position is not a dogmatic free
4 trade position in the sense that we say all the
5 tariffs should be eliminated. This is not our
6 position. Our view is that if constructive moves
7 were made to move the automotive industry in that
8 direction freer trade would be developed, and we
9 think this would be thoroughly desirable. Presently,
10 if in entering into such negotiations you, yourself,
11 and those studying the problem saw that the
12 consequences could be highly dangerous to the
13 Canadian industry then perhaps specialized models
14 could be invoked, or it might be worked out on some
15 basis where there could be specialization in
16 functions rather than models, which would be much
17 more suitable, but these are matters I am really
18 not competent to discuss.

19 THE CHAIRMAN: But if free trade involved
20 a redistribution of the population of the continent
21 such as to depopulate Ontario as, let us say, the
22 Maritimes and Vermont have been depopulated, you
23 would get a much more efficient continental economic
24 system, but you would have some worries about that,
25 would you not?

26 MR. KIRK: As I explained, our position is
27 not a dogmatic free trade one. Your observation,
28 it seems to me, is drawing a sort of an ultimate
29 result from this. I think our position is that we are
30



1 not convinced that such ultimate shifts in
2 population, for example, would occur. What we want
3 to see is our policy of freer and expanding trade
4 given a good and continuing chance.

5 THE CHAIRMAN: Of course, I am not sure
6 that they would agree, but I think it is important
7 to have in mind as to whether it matters that they
8 do occur. I am inclined to think that we probably
9 agree in wishing to see Canada continue as a group
10 on this side of the border.

11 MR. KIRK: Yes, we are both Canadians.

12 THE CHAIRMAN: You have, in your brief,
13 but I do not think you referred to them today, made
14 some suggestions about our negotiating with the
15 United Kingdom for privileges in return for the
16 free entry that we give them. Am I right in this?

17 MR. KIRK: Yes. We tried to make some
18 inquiries, as it is noted in our brief which
19 resulted from our member bodies opposing increased
20 protection which came before the announcement of
21 your appointment. It was in response to reports
22 of representations to the government. So far as
23 I could find in my inquiries one of the suggestions
24 that had been made by the industry to the government
25 was that, perhaps, we might get a quid pro quo in
26 the form of reduced United Kingdom tariffs for our
27 cars. This struck us as something which, if it
28 could be negotiated, would be a first-class idea.

29 THE CHAIRMAN: Yes. I asked the representative
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1 of the English industry how he felt about this,
2 and from what he said I do not think there would
3 be a very sympathetic hearing. I think all I need
4 to say to you, as I have said to several others,
5 is that the automotive industry is being looked at
6 in the context of the Canadian economy, but we
7 have more than some concern for the plight of
8 agriculture and for the problems of the export
9 industries. The submissions from these groups are
10 both helpful in providing ideas, and useful in
11 reminding the Commissioner, who spends a lot of his
12 time with the automobile people, that this is
13 part of the Canadian economy as well. Thank you very
14 much.

15 MR. KIRK: Could I make one further
16 remarks which I think parallels yours?

17 THE CHAIRMAN: Yes.

18 MR. KIRK: I think we should make it
19 clear also that in an industry that has undergone
20 a lot of painful adjustment we are certainly not
21 unaware of the difficulties of adjustment, or the
22 propriety or even desirability of taking measures
23 to meet adjustment difficulties. I wanted to make
24 that very clear.

25 THE CHAIRMAN: Thank you very much.
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SUBMISSION OF CANADIAN AUTOMOBILE ASSOCIATION

Present: Mr. J.G. McQueen,
Executive Secretary.

THE CHAIRMAN: This is the submission of the Canadian Automobile Association, represented by Mr. McQueen. I take it that he is speaking for the consumer.

MR. McQUEEN: Mr. Commissioner, may I express the appreciation of the Canadian Automobile Association for the opportunity to reiterate our views to your Commission on behalf of our more than 600,000 members across Canada.

As you know, our Association is the federation of all the non-profit making provincial and municipal automobile clubs in Canada. Our membership is made up entirely of private motor car owners. We have examined the terms of reference for your Commission and therefore feel we are in a position to comment only on those terms which are in the direct and immediate interest of the private motorist.

We do not, in any way, profess to be acquainted with the techniques of building automobiles, nor do we have specialized knowledge in the field of taxes or tariffs. We have for almost 50 years served the interests of the private motorists of the country and have grown in strength of numbers as the automobile industry has grown. We feel, therefore, that we have a



1 reasonably good idea of the feelings of the
2 motoring public.

3 It is the opinion of our Association that
4 the federal excise tax of $7\frac{1}{2}$ per cent originally
5 imposed as a luxury tax is an unfair levy on the
6 motorist. For many years we have urged the federal
7 government to eliminate this tax and although it
8 was reduced from 10 per cent to $7\frac{1}{2}$ per cent in
9 1958, we consider it still poses a burden to the
10 automobile-buying public and is a deterrent to
11 sales.

12 It is our opinion that the automobile is
13 not a luxury but is a vital necessity to the
14 average family, as well as an essential instrument
15 in the daily commercial life in the community.
16 For example, we have the commercial traveller, the
17 doctor, members of the laity and many others who,
18 without a car, could not carry on their daily
19 duties. In addition we have the suburban family
20 who lives far from the shopping area, schools,
21 and the breadwinner's place of employment.

22 The growing importance of the automobile
23 to family life is the fact that 3.8 million passenger
24 cars are now in use on Canada's streets. There is a
25 passenger car for every 4.7 Canadians and drivers
26 licences are held by 5.8 million Canadians. We
27 submit that the automobile is an essential ingredient
28 in the economic and social life of Canadians.

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1 We are also of the opinion that the
2 automobile manufacturers must consider the user
3 more in designing and constructing cars. We submit
4 that economy, convenience and safety are the
5 three basics in the mind of the motorist and at
6 present automobiles manufactured in Canada, in our
7 opinion, are excessively expensive to purchase as
8 well as to repair. We do not suggest that there
9 will not continue to be a market for the so-called
10 North American type car in its present form, but
11 we do consider that the increased sales of foreign
12 cars is an indication that a great many Canadians
13 are convinced that they can buy better economy,
14 equal convenience, and safety, for a great deal less
15 money.

16 Each year we are reminded by insurance
17 companies that current North American styling
18 prohibits the possibility of a reduction in
19 insurance rates as repairing a North American type
20 car has become too costly. Surely an industry
21 that has put a whole nation on wheels is certainly
22 capable of solving a problem such as this.

23 You have heard a great deal about
24 difference in prices from Canadian-built to
25 foreign-built cars. We feel that many of the
26 people driving the less expensive European cars made
27 their purchase for the sole purpose of owning new,
28 original equipment. They bought these imports
29 because for years they could not afford a used
30 Canadian automobile. The price of a two or three year



1 old Canadian car will run about the same as a new
2 import.

3 The hackneyed phrase "buying someone
4 else's trouble" when one purchases a used car of
5 three year vintage was no longer for these buyers
6 when brand new automobiles were available in
7 showrooms of the European car dealers at the same
8 price. Naturally they swung to the imports to
9 save money on the buying price but what is just
10 as important, these people did not buy the high
11 cost of repairing an automobile someone else
12 discarded.

13 We receive many complaints from individual
14 members that repairs to the North American cars
15 are too costly, and while we have not conducted a
16 professional survey an estimate from our clubs
17 across Canada would indicate that 30 per cent of our
18 members are driving imported cars and cite in
19 addition to a favourable initial purchase price,
20 that economy of operation and repairs is the reason
21 they have purchased these cars.

22 If Canadian automobile manufacturers are
23 concerned with competition outside this country,
24 they should be in a position to challenge rather
25 than to look for new protective devices in the form
26 of tariffs. The Canadian motorist should not be
27 denied his right to buy the type of automobile
28 he wishes to drive.
29
30



1 We submit that the federal government
2 should protect the consumer and recommend to the
3 industry that they re-study the wants of Canadians.

4 Now, Dr. Bladen, we submit this very short
5 brief to you feeling that it might be helpful to
6 pass along to you the thoughts and complaints that
7 are expressed to us by individual private motor car
8 owners, and we think we have interpreted the views
9 of the motor car owner in the street.

10 THE CHAIRMAN: Thank you very much,
11 Mr. McQueen. There is one very difficult problem,
12 and it is one on which I wonder whether your
13 Association could provide information, and I mean
14 careful statistical information and not a general
15 impression. For instance, I am here really
16 criticizing a remark which you have made, and I am
17 wondering whether, in fact, you can substantiate
18 it. I have gathered the impression from what you
19 have just said that the cost of repairs is
20 dreadfully heavy on domestic cars, but those who
21 are intelligent enough to buy imported cars are
22 able to avoid this expense. I can bring before
23 you myself and a large number of people who have
24 been faced with appalling repair costs on imported
25 cars, and part of my trouble is that nobody ever
26 tells about the car that does not involve a great
27 deal of repair cost. Everybody who has some repair
28 costs shouts to high heaven about them. I not
29 only have your statement, but I have received letters
30



1 from this man whose transmission went wrong,
2 and that man whose steering wheel would not work,
3 and the other man whose doors would not close.
4 Does this mean that all the cars have ppor
5 transmissions, doors that will not close, and
6 steering gears that will not operate, or does it
7 mean that some people have been unlucky, or that
8 some people operate their cars rather badly?

9 What I am getting at is this, that we are
10 comparing the prices of cars, and the price that
11 appears immediately to the buyer is the purchase
12 price. Then, we talk about the cost of operation,
13 and all the emphasis is on whether they use a
14 little more gasoline or not, and gasoline is a
15 very cheap commodity in this country. But, we
16 never hear anything about what the cost of operation
17 per mile is. Could we find out the cost of
18 operation per 100,000 miles, on the assumption
19 that you might buy a new car every year, or every
20 two years or every three years. Alternatively,
21 can we find the cost of operation per year on
22 the assumption that something like 12,000 miles
23 a year is travelled? Is there any source of
24 information of this sort?

25 MR. McQUEEN: I think that could be
26 acquired. I see no reason why it could not.

27 THE CHAIRMAN: I think it would be
28 awfully useful. Miss Leitch says: "Why not 50,000
29 miles instead of 100,000?", and I replied to her
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1 that I want the buying and selling of a car
2 with this particular depreciation counted in.
3 Any such estimate, I think, would be awfully useful,
4 and if such estimates were available to the buying
5 public on the basis of complete reliability motor
6 car purchasing would become a much more intelligent
7 process than it is at present.

8 MR. McQUEEN: To answer the first part of
9 your question with respect to the cost of repairs,
10 we have many people who come in -- and I am one of
11 them myself because I have experienced this myself,
12 and I hope you will forgive me; I drive a North
13 American type car, by the way -- who say that a
14 part has broken that costs \$3 or, maybe, \$5 to buy,
15 but when they drive out of the garage they are
16 paying a bill of \$45 or \$50 because of the time
17 and labour cost. What we have in mind is that
18 surely the industry could put some of these parts
19 in a place where it would not take a mechanic a
20 day to get at them. We get many complaints on
21 that score. As I explain here, we are not
22 professional engineers. The industry, perhaps,
23 can answer that. Perhaps some of the parts that
24 I have broken in my own car are impossible to
25 locate in any other part of the car, but we do feel
26 that in design and construction they should
27 consider those parts which are inclined to go
28 after a year or two.

29 THE CHAIRMAN: On this point I hope they are
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1 listening very carefully to you.

2 MR. McQUEEN: Thank you.

3 THE CHAIRMAN: The point on which I was
4 a little worried, and on which I wanted some other
5 people to add a pinch of salt, was when this
6 became a matter of comparison as between domestic
7 and foreign cars, because I think you were thinking
8 too much of, let us say, the Volkswagen, and too
9 little of the Jaguar or the Citroen.

10 MR. McQUEEN: Yes, but the Jaguar is not
11 competitive.

12 THE CHAIRMAN: I know, but the Volkswagen
13 is only one of the things. If you begin to take
14 not only the question of repairs but the incidence
15 of wear and tear perhaps some of the cheaper cars
16 will not show quite as good a record as their
17 initial price suggests. I do not know; I am not
18 prejudging this, but that is what I want information
19 on.

20 MR. McQUEEN: It is something we want
21 studied very carefully, and I would ask you to
22 go into that particular point. I can assure you
23 that is the bulk of the complaints we receive from
24 the individual motorists.

25 THE CHAIRMAN: I am enormously impressed,
26 and I think the automobile industry is as well,
27 although how far they can deal with this I do not
28 know. Your counterpart in the United States makes
29 similar noises, especially about the high cost of

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1 insurance because of the vulnerability of the
2 outside pieces of the car, and that is very serious.
3 What is the order of magnitude of this in terms
4 of the annual cost of insurance?

5 MR. McQUEEN: Well, again, speaking
6 personally, my automobile insurance is \$88 to \$90
7 a year. My neighbour, who drives an unnamed
8 foreign import, pays insurance in the nature of
9 \$45 or \$46.

10 THE CHAIRMAN: Of course, again, the
11 interesting thing is that when I changed from a
12 foreign car to a domestic car my insurance went down,
13 but, then, we were driving a very different sort
14 of car from a Volkswagen. I have just one last
15 formal question. Like most of the people who
16 have appeared before me you have argued, and I
17 think it is a very convincing argument, that the
18 sales tax is not a proper tax. Before we get too
19 hopeful I think you should study the discussions
20 that the provincial ministers have had with the
21 Minister of Finance, and then realize the number
22 of industries who feel that the same impost is
23 particularly discriminatory against them, and that
24 some special tax relief is required here, there
25 and everywhere else. One can understand that
26 once a tax is there, however discriminatory and
27 unfair it is, it is going to be awfully difficult
28 to get it off.

29 MR. McQUEEN: Well, the thing that annoys
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1 the motor car owners, sir, is that they removed
2 it from furs and jewellery. I would not want
3 that to be quoted to my wife.

4 THE CHAIRMAN: Well, I think it is as
5 well that it should be. I thank you for appearing.
6 I had been worried about the consumer as such in
7 that he had not been represented. It is true
8 that the consumer, in the sense of the farmer,
9 has been represented, but he has always represented
10 himself as an exporter who was worried about
11 restrictions on imports, although his views as a
12 consumer group have been welcome. Perhaps the
13 Premier of the Province of Ontario unexpectedly
14 represented the consumer, but you, sir, are the first
15 pure consumer to appear before us.

16 MR. McQUEEN: Thank you very much, sir.
17 Again, may I express my appreciation for the
18 opportunity of appearing before you, and you may
19 rest assured that if there is any way in which
20 you feel our Association can assist with respect
21 to statistical data, or the viewpoint of the motorist,
22 we will be only too happy to assist.

23 --- Recess.
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SUBMISSION OF
JOHANNES ALASCO
Senior Partner
DOMINION MANAGEMENT ASSOCIATED LIMITED

PRESENT:

Johannes Alasco

THE CHAIRMAN: Mr. Alasco?

MR. ALASCO: Mr. Commissioner, I submitted, filed yesterday with the Commission Secretary a short statement which actually is an integral part of my submission, and I wondered whether you would like me to read it.

THE CHAIRMAN: Would you, please?

MR. ALASCO: To begin, I would like to clarify my position before this Commission. The clarification seems to be necessary in view of the fact that the firm in which I am a partner has carried out several professional assignments for several European motor car manufacturers, and I feel that I should state that I am not expressing in any way the views of my firm, and also that I am not appearing in support of any commercial or other organization and only as a Canadian expressing my own views, which are the views of the consumer of cars in Canada.

It seems to me that the crucial point in the problem before this Commission is the price of Canadian-made cars. These cars are designed



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3 in the United States and reproduced in Canada. The
4 Canadian price is controlled in the United States
5 by the original manufacturer and his costs.

6 The costs of production and the pricing
7 policies of the American automobile companies have
8 been very closely investigated by the United States
9 Senate Subcommittee on Antitrust and Monopoly.

10 On November 1st, 1958, the Subcommittee published a
11 300-page report entitled "Study of Administered
12 Prices in the Automobile Industry."

13 The Senate Report is an outright con-
14 demnation of both the economic policies and the
15 pricing methods followed by the Big Three motor car
16 manufacturers. You will seldom find a more thorough
17 analysis and a more devastating criticism of a
18 major national industry by a Government body.

19 Here I believe is the starting point for every
20 inquiry into the automobile industry in Canada,
21 which is United States industry operating in Canada.

22 European competition has affected sales
23 of Detroit cars in the United States as well as in
24 Canada. The United States Senate Report has es-
25 tablished that the main cause of the decline of
26 demand for Detroit-designed cars in the United
27 States had been high prices due to high production
28 costs. The Senate Subcommittee has found further
29 that the high costs had originated in the dies for
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3 stamping bodies, special tools, advertising, and
4 other overhead charges related to the Detroit
5 philosophy of more and more frequent model changes.
6 High prices of cars are the direct consequence of
7 Detroit's competitive race for planned obsolescence
8 in motor cars.

9 On page 147, the Senate Report says:
10 "The Big Three are currently spending at least \$1.2
11 to \$1.3 billion a year to promote fictitious style
12 obsolescence. It is by the reduction of these ex-
13 penditures that General Motors and the other leading
14 producers can serve both their own interests and
15 those of the country. If the sums which they now
16 spend on non-price competition were reduced suf-
17 ficiently, substantial price cuts could be made
18 without sacrifice of total revenue or profits."

19 I have good reasons to believe that the
20 unit cost of the planned obsolescence built into
21 Detroit-designed cars must be higher in Canada than
22 in the United States, as the volume of production
23 is lower in Canada.

24 On the basis of the data contained in the
25 United States Senate Report, I have estimated that
26 the costs related to periodic remodelling in Detroit
27 are reflected in the retail price of a Canadian-
28 made "popular" car to the extent of \$500. It is
29 important to note that the greatest portion of
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3 this amount represents imports from the United States,
4 and not expenditures made in Canada, by the manu-
5 facturers. Here is Canadian purchasing power
6 diverted from other lines of Canadian manufacturing
7 and Canadian agriculture, which in many cases employ
8 more labour per sales dollar than the automobile
9 industry.

10 Now this \$500 is equal to the average price
11 differential between the "popular" Canadian-made car
12 and the middle-priced European import. It thus
13 appears that, if we could put an end to Detroit's
14 policy of planned obsolescence, the price of
15 "popular" Canadian-made cars could be lowered to a
16 level on which the Canadian car would be strongly
17 competitive with European cars at the present tariff
18 levels.

19 An impartial study of the economics of
20 the United States automobile industry, like the one
21 which is the subject of my written submission to
22 this Commission, will show where to look for a solution
23 of the problem.

24 What Canada needs is not protective
25 measures against motor car imports but a general
26 attack on the waste makers in Detroit.

27 Why is the American motor car industry
28 not following the course suggested by the United
29 States Senate? Why are the Big Three persisting
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3 in the unsound obsolescence race?

4 The United States Senate Report has given
5 a clear-cut answer to these questions. It says
6 that post-war competition in accelerating car ob-
7 solescence has forced the Big Three into a sort of
8 dead-end street, out of which no one dares to get out,
9 lest it should perish in the move at the hands of its
10 two competitors.

11 There are indeed strong indications
12 that the Big Three are getting tired of the futile
13 and costly obsolescence race. One of them can hardly
14 survive it, running between profit and loss. Another
15 one is still game but a little breathless. The
16 third one is a giant who simply cannot get tired.
17 He would not mind, though, getting out of the race.

18 The present economic condition of the
19 automobile industry in Canada represents a clear
20 target for the Government. Canadian Government should
21 create and maintain the sort of economic conditions
22 that can force the Big Three out of the cul-de-sac
23 of their own making. Such policy could be based
24 on the following propositions.

25 (I) European competition to Detroit
26 should not be interfered with by the Government.
27 The principle should be sanctioned that tariffs
28 cannot be raised in order to protect high prices
29 due to waste.
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We live in a world that is gradually eliminating economic boundaries and high-cost producers. Regardless of what the Government of Canada can do, we must face the challenge of survival in a competitive international market. Canadian customs will not arrest the progress of world history.

(II) We must take a new approach to taxation and develop a system that would discourage wasteful use of means of production and encourage lower prices through cost economies in manufacturing.

The wisdom of our present fiscal system can be questioned on two grounds. It discourages the accumulation of business profits and the formation of new Canadian capital. At the same time it is conducive to waste in the management of production costs. Here is a problem of much broader significance than the automobile industry, as it goes to the roots of our post-war way of life.

Wasteful production, and consumption as well, will be the great worry of the "Sober Sixties." Many manufacturers have begun to tackle this problem and with much success. Not long ago the Wall Street Journal reported how several American electric appliance manufacturers could maintain profits, in spite of falling prices, by realizing substantial cost economies. Executive expense accounts were trimmed, the number of new models



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reduced, and wasteful style changes eliminated.
There is nothing that could prevent the automobile
industry from following a similar course. The
resulting economies would permit of price cuts,
leading to higher sales and more employment.

To conclude I will say that we have reached
a point in our post-war history where tariff changes
and other expedients will solve no national economic
problem. A fundamental revision of our economic
methods and policies is now a question of national
survival.



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3 THE CHAIRMAN: Thank you very much. I
4 have to say this with reference to your personal
5 appearance and that of those who are following you
6 that you are following an example which I fully
7 approve. I appeared as an independent economist on
8 my own behalf before the Gordon Commission.

9 MR. ALASCO: Thank you very much.

10 THE CHAIRMAN: You have been very impressed
11 by the report of the Senate Committee which, of
12 course, I have read. However, you make no reference
13 to the dissenting report by the Senator whose name
14 at the moment I can't remember.

15 MR. ALASCO: I think it was Dixon.

16 THE CHAIRMAN: Of Illinois?

17 MR. ALASCO: I have the report here.

18 THE CHAIRMAN: Oh, it is Dirksen.

19 MR. ALASCO: Yes. It is the views of
20 Senator Dirksen.

21 THE CHAIRMAN: Would you like to comment
22 on those views? I found them very impressive.

23 MR. ALASCO: Yes. I would say during
24 one aspect of the Senate report, although the facts
25 referred to in the report are very impressive, the
26 report is no doubt a bias, a bias against General
27 Motors which I find unjustified and unfair, and I
28 believe that in using the information contained in
29 the report I have avoided introducing this in my
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3 submission. However, upon reading Senator Dirksen's
4 individual views, I don't find anything that would
5 conflict with what I put into my submission.

6 THE CHAIRMAN: The problem in part, of
7 course, is as he put it, but do those who criticize
8 the industry's policies feel that if they had been
9 in control they would have been able to make profits
10 and as great profits by following the line of least
11 model change and lower price? In other words,
12 Dirksen's attitude was that he suspected that the Civil
13 Service, on whom the Senate Committee's report was
14 based, wouldn't necessary have been better executives
15 for General Motors, Ford, Chrysler, etcetera?

16 MR. ALASCO: There is a great deal of
17 truth in this. As a general principle in business --
18 business is not like experimental science and you
19 can't say that if I would have changed certain
20 conditions I would have arrived at the following
21 result, because business doesn't follow specific
22 laws of nature or any other laws. In other words,
23 if you discuss anything in business you are specu-
24 lating on it, and if anybody makes a statement
25 of the nature as if the industry did not change
26 their models so frequently it would have produced
27 a cheaper car. Necessarily the person who makes
28 such a statement only speculates and cannot do
29 otherwise, because we can't make any experiments.
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3 We cannot, as in physics, make two experi-
4 ments under two different sets of conditions. In
5 business you can't check and at the same time sell
6 two cars comparable with different conditions.

7 In retail stores, for instance, they
8 make controlled experiments, but very often they
9 arrive at conclusions that the results are not
10 reliable and, secondly, it hurts sometimes the
11 goodwill standing of the store if it carries it out,
12 and also hurts the standing with the competitors.
13 In other words, all that you discuss in business
14 is more or less speculation, and you just can't
15 do that.

16 THE CHAIRMAN: I suppose what is in the
17 back of my mind is this, that there are two
18 questions; one, was this a business mistake? Did
19 they take the line that in the interest of maximizing
20 profits they should not have taken, or is it rather
21 that the Government should have rigged the rules
22 so that in order to maximize profits they would
23 have to reduce models? It is the latter line
24 you would take, isn't it?

25 MR. ALASCO: I would say that my personal
26 philosophy is the less Government intervention the
27 better, and the soundest type of Government
28 intervention is in the operation of the Central
29 banks, which through open market operations influence
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3 profit economy.

4 What I say is that by changing the tax
5 structure the Government can influence the designing
6 of products by industry in certain directions.
7 That is what I would like the Government to do,
8 is to make in the income tax regarding the depreciation
9 of assets, and other angles, something which would
10 encourage them to maintain longer the same model.

11 THE CHAIRMAN: That is interesting, and I
12 would like some explanation. How far is it at
13 present possible to write off as expense in one
14 car the cost of the model change?

15 MR. ALASCO: Well, the capture of assets
16 varies from one automotive manufacturer to the other.
17 In General Motors in certain years, according to
18 the ratio of profits of General Motors, you would
19 have recaptured it in 1-1/2 or 3 years.

20 THE CHAIRMAN: I am talking about for
21 tax purposes.

22 MR. ALASCO: Generally it is a 10-year
23 period.

24 THE CHAIRMAN: But not for the re-
25 tooling for model change?

26 MR. ALASCO: This is an expense --

27 THE CHAIRMAN: So there is no depreciation
28 problem entering into it?

29 MR. ALASCO: That is right.
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3 THE CHAIRMAN: You would want to treat it
4 as capital and therefore not allow it and thereby
5 make it more expensive, taxwise?

6 MR. ALASCO: There are various aspects
7 coming into these model changes. There is capital
8 expense involved as well as expenses for special
9 tools, or it could be treated in both ways. First of
10 all, certain expenses could be allowed as business
11 expenses in full, and others could not. There could
12 be a provision that certain tools are not used up to
13 a certain point, from a physical point of view, they
14 cannot be entered in full as a business expense.
15 That is one avenue of approach. Then, you say that
16 the Government should say that if certain capital
17 assets are also not utilized for a longer period
18 of time, that there is a penalty in assessment of
19 the tax.

20 THE CHAIRMAN: My difficulty in making
21 use of this is that it is Detroit that has to change,
22 and the Canadian Government has awfully little
23 at its disposal to bring pressure on Detroit. The
24 model change in Canada is a reflection of the
25 model change in Detroit, and there is nothing which
26 we can do in Canada that can straighten Detroit out,
27 is there?

28 MR. ALASCO: I don't think that that is
29 entirely true, because the Detroit industry is
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3 building special cars for Europe and could very well
4 build special cars for Canada. In other words,
5 if the American market accepts yearly model changes,
6 it doesn't necessarily --

7 THE CHAIRMAN: All right, that is the
8 second point. My first feeling was that you were
9 really wanting -- it is an attack on the waste
10 makers in Detroit, and suppose we could somehow
11 persuade Detroit to be sensible and that would
12 mean that the Canadian subsidiaries would follow,
13 but at the same time I don't see how we could
14 influence Detroit.

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3 And now, we come to the other problem;
4 if we can't influence Detroit how can we behave
5 in Canada so as to get the economies of less
6 model change and yet Canadian sales and also
7 get the economies of, say, integration with the
8 U.S. industry? Can you really cut that \$500
9 off a Canadian car by dropping model change in
10 Canada?

11 MR. ALASCO: Well, I will go into two
12 directions in reply. First of all, Canada is
13 not alone in attacking the problem of the automotive
14 industry. They have the same problem in the United
15 States, and what we do here in Canada would
16 certainly influence what happens in the United
17 States. In other words, pressure exerted on the
18 automobile industry in Canada could to a certain
19 extent cause pressure in the United States.

20 THE CHAIRMAN: Surely we are a minute
21 element in the American calculations?

22 MR. ALASCO: Well, psychologically we
23 might not be, but I think the main point is that
24 we have been listening here to the various members
25 and that there is a growing trend of demand for
26 a genuine Canadian motor car made in Canada.

27 Now, there were suggestions made that
28 these cars should be made by European manufacturers
29 who would establish subsidiaries here. I believe
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3 that the soundest solution would be to influence
4 Detroit that it really develops special cars in
5 Canada by using their own facilities in Canada, and
6 that they simply do not go the same cycle as model
7 change in Canada as they do in the United States,
8 because it is a pure question of volume of model
9 changes and the very high volume which you can make.
10 against the lower volume which you cannot make.
11 We should encourage Detroit to design a car which
12 wouldn't need very much in the basic engineering in
13 Detroit. Make a car for Canada and operate on the
14 basis of the European producers of keeping this car
15 for many years.

16 THE CHAIRMAN: How do we encourage them?
17 This is really the essence. You mention the Central
18 Bank. It can encourage things by doing some open
19 market trading, but how do I -- what sort of means
20 can I suggest to encourage Detroit to do this?

21 MR. ALASCO: First of all, not to discourage
22 imports.

23 THE CHAIRMAN: This would scarcely en-
24 courage the Americans to develop an industry in
25 Canada. It might encourage them to withdraw.

26 MR. ALASCO: I am not convinced that they
27 would think of withdrawing. I think the American
28 motor industry in Canada is so powerful that they have
29 all the means they want.
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3 THE CHAIRMAN: Don't you think they want
4 to do it if it is profitable? Are they just not
5 concerned about profit?

6 MR. ALASCO: No, it is not that. I believe
7 it is a question that once in business, manufacturers
8 going into a certain line of industry must develop
9 certain approaches which results in certain equipment
10 situations and other situations, and it is extra-
11 ordinarily difficult, it is costly and risky and
12 very difficult to handle. In other words, people
13 try to do things in the easy way, and why should they
14 change anything in their operations if they can
15 avoid doing so, so I would say that their problem is
16 that it is easier to operate along the present lines
17 than to take the risks and accept the initial costs
18 of reversing their attitudes, and here is the root
19 of the problem, I believe.

20 THE CHAIRMAN: What about the countries
21 that have succeeded? Have you any knowledge of the
22 Australian experiment?

23 MR. ALASCO: Not very much; this is one of
24 the ones that I have not studied, but I understand
25 that the car in Australia is a car that is made at
26 a profit and it is a car which is designed for the
27 specific needs of the Australian market.

28 THE CHAIRMAN: I am trying to learn
29 more about it. I don't know much yet, but it was
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3 certainly built up during a period when it was
4 awfully hard to get any other car.

5 MR. ALASCO: That is right.

6 THE CHAIRMAN: As a result of tariff
7 embargoes, emergency regulations, scarcity of cars,
8 and so on, and I think I made a reference yester-
9 day to the fact that I believe a Ford or Chevrolet
10 sold for about \$5,000 there, and that was rather
11 terrifying. Is this other car reasonably priced?
12 I don't know how austere a car it is, but the point
13 is it took about 10 years of the other kind of
14 production to get it to this point.

15 Now, you wanted to have free trade?

16 MR. ALASCO: No, I don't think I would.

17 THE CHAIRMAN: You seem to want to
18 expose Detroit through Canada to even more pressure
19 from outside?

20 MR. ALASCO: I wouldn't say more; I think
21 that the present tariff level is very good; it
22 protects the industry.

23 THE CHAIRMAN: From the importation from
24 Great Britain?

25 MR. ALASCO: That is another point.
26 I feel that laws are political; the tariff is a
27 law, and everything in politics is not logical.
28 It is largely a package of bargaining and concessions,
29 and when you have a tariff it is usually the result
30



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3 of bargaining, and so far as I know in many cases
4 when representatives of the two Governments get to-
5 gether to make out a tariff agreement, they make
6 concessions on one article and another concession on
7 another article. In other words, this is a compro-
8 mise that we are losing in the duty-free entry of
9 British cars into Canada, although we may be gaining
10 on other aspects of the relationship.

11 THE CHAIRMAN: I think you were telling
12 me by this entry of these cheap cars -- I shouldn't
13 use the word "cheap"; in business one has to say
14 "low priced" -- that this was a way of encouraging
15 Detroit, or Detroit dominated Canadian firms, to
16 reduce their models, to reduce frequency of model
17 change.

18 MR. ALASCO: That is right.

19 THE CHAIRMAN: And in this sense you want --
20 if not free trade, as free as it is politically
21 feasible?

22 MR. ALASCO: Yes. Well, what I would
23 say is that the feeling would be that the present
24 tariff structure -- personally as a citizen I
25 wouldn't protest against equalizing duties on
26 British cars subject to consideration of a national
27 policy and broadening of **interests** involving trade
28 with Britain, but I believe as a principle that the
29 tariff shouldn't go above the 17-1/2 per cent which
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3 we are paying now.

4 THE CHAIRMAN: Have you noticed the proposals
5 that I have discussed with a number of people for
6 some sort of reciprocal deal with the United States so
7 that we would be playing a part in a continental
8 market rather than producing for a small market in
9 Canada?

10 MR. ALASCO: I have followed that.

11 THE CHAIRMAN: Can you help me in this?
12 You have a good deal of material in your brief on
13 the volume of production that gives reasonable
14 economy, and so on, and you obviously made studies
15 of the costs of production in relation to volume.

16 Now, does this enable you to give me
17 either an opinion on the feasibility of the scheme
18 or advice as to what I should be looking at in
19 order to assess the feasibility of the scheme?

20 MR. ALASCO: I would say that this is a
21 very sound proposal or suggestion, this integration,
22 but fundamentally what we are looking for is not to
23 encourage the European imports as a means of
24 castigating the local industry, but what we want
25 ultimately is to have a healthy Canadian motor car
26 industry providing the right product to the Canadian.



1 So, I believe, inasmuch as this is an
2 American industry operating in Canada, there is no
3 logical obstacle to completely integrating these
4 two industries, but I would say before we study this
5 we must realize one thing, that this would be only
6 the beginning of a much broader economic process,
7 and that other industries will say: "We want to do
8 just the same thing", and what we would end up with
9 would be a common economy between the United States
10 and Canada. I feel this is a very important
11 national problem. It is much broader than the
12 automobile industry, and before we start this land-
13 slide, shall I say, we have to be certain that we
14 want to integrate in the United States economy.

15 THE CHAIRMAN: As an economist you have
16 shown some interest and feeling for the political
17 aspects. Do you think in Europe the common
18 market is going to destroy national identity?

19 MR. ALASCO: I do not think so.

20 THE CHAIRMAN: So is there any reason why
21 a common North American market should have any
22 more effect on Canadian national identity than the
23 European common market has had on French national
24 identity?

25 MR. ALASCO: I do not think there is any
26 danger to it. It is definitely economic integration,
27 but I do not think it would affect the personality
28 of the Province of Quebec, or the Province of
29 Ontario, or the Province of British Columbia or the
30



1 Maritimes. If you travel from New York to Virginia
2 you will be in spirit in a different country, and
3 I would say there is more difference between
4 Chicago and New York as you would find between New
5 York and Montreal.

6 THE CHAIRMAN: What about Windsor and
7 Detroit?

8 MR. ALASCO: Well, here you have an
9 example.

10 THE CHAIRMAN: I think that is all I want
11 to ask you. I thank you very much for giving me
12 this assistance, not only for what is in the brief
13 but for what you have contributed personally.

14 MR. ALASCO: Thank you very much,
15 Mr. Commissioner.

16
17
18 THE CHAIRMAN: I think we have time for one
19 more submission. First, I should say that the
20 Hudson's Bay Route Association is not appearing.
21 I would now ask Mr. Victor Murgaski of Research
22 Development and Surveys Associates Limited to
23 present his submission. Again, this is a personal
24 submission. Mr. Murgaski is a member of Research
25 Development and Surveys Associates Limited. This
26 afternoon we will hear Professor English of
27 Carleton University.
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F-3

SUBMISSION OF RESEARCH DEVELOPMENT &
SURVEYS ASSOCIATES LIMITED

Present: Mr. Victor Murgaski,
President.

MR. MURGASKI: May I make an amendment to what you have said. The contents of my report are known to my associates, but what I say in my oral presentation are my own views.

THE CHAIRMAN: I suppose my original statement with regard to you and your associates is true, that you are appearing independently, and you are not appearing on behalf of any party concerned?

MR. MURGASKI: Yes, I mean to bring that into my presentation. First of all, I would like to clear up all repetitious matter, and in order to do that I started to write an oral presentation on the contentious matter and new matter which has been brought up, and I think I have ended up with what appears to be a longer report than the original presentation, but I will try to abbreviate it.

I will read the preface to the submission, which is a summary of the report, and then I will go through my oral presentation.

This report has been prepared by (R.D. & S.) Research, Development and Surveys Associates Limited a private, all-Canadian company not associated with a manufacturer, supplier, union or any group directly concerned with the automotive industry.



1 The prospect of any monetary benefits
2 for R.D. & S. appear to be nil. R.D. & S. takes
3 the greatest cognizance of problems confronting
4 the government, industry, and the public. This
5 eagerness has been exemplified in our numerous
6 submissions on the small car, civil defence, and
7 other problems to date.

8 An idea or matter, controversial in
9 nature, and one which may leave a gap between
10 government, manufacturers, importers, suppliers,
11 unions and the public, should be placed before,
12 studied and reported upon, by independent con-
13 sultants, to the credit of the government and the
14 elected members. To this end we offer our services.

15 Briefly, the recommended broad policy is
16 that a voluntary course of action, in line with our
17 democratic principles, and sound business competitive
18 considerations, be adopted. Under the guidance
19 of a government appointed body an immediate
20 course of action is to be implemented. The
21 governing factors for this action are embodied
22 in "Government Recommendations for Immediate
23 Action," for immediate relief.

24 Our group envisages a long term plan as
25 unavoidable and therefore another set of
26 recommendations is recorded. This long term program
27 is also intended to give impetus to the former.

28 A great deal of thought has been given to
29 recommendations specifically for domestic manufacturers,
30



1 and another group of recommendations for foreign
2 manufacturers in immediate and projected
3 categories. The attempt at this approach indicated
4 that a thin line definition of foreign and
5 domestic firms evolved. The only factor upon
6 which this definition could have differed was in
7 direct Canadian labour content of the product in
8 question. We foresaw a lot to be desired in
9 Canadian firms, or foreign firms as well as in
10 their products. These criticisms have only been
11 noted where their value towards the solution of
12 the problem was greater than their harmful
13 effect.

14
15 Our experience to date points out that
16 in a far greater number of case histories, the
17 problem of the firm lies basically in product design
18 or the process of manufacture, rather than in the
19 administration of the organization; although it is
20 no secret that most management consultants
21 approach the problem from the top down rather than
22 from the bottom up. Broadly it can be said that
23 management is at fault for not recognizing its
24 own problems.

25 The opinions and experiences of some 45
26 Associates are registered in this report. Graphs,
27 charts and statistics have been omitted knowing
28 that manufacturers and government representatives
29 have these on hand, and no useful purpose would be
30 served in this report by their inclusion.



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Now, may I go on to my oral presentation?

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3

First of all, Professor Bladen, I would like to

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offer an invitation to you and your group to

5

sit in with a panel of people who I consider

6

experts in this specific field, and specifically

7

with respect to those aspects of your hearing which

8

appear to need additional assistance.

9

Our position on the agenda has its

10

advantages. However, it also leaves us with a lot

11

of repetitious matter. I have, therefore, revised

12

our oral presentation to outline the untouched

13

portions of our written report, to comment on

14

contentious matter, and to point out some of my

15

observations emanating from these hearings. To

16

comply with your outstanding problem I hope to

17

delve primarily into the "how" aspect.

18

Since September, 1957 we have presented

19

four separate reports on the subject in question.

20

The automotive experience of our principals and

21

those of our associates is in marketing, research,

22

design, production engineering, contract bidding,

23

as well as the setting up of assembly facilities for

24

both a large and small automobile, all in Canada.

25

Ours is an ambitious program based on

26

leadership rather than followship -- concepts for

27

remedial and competitive measures. Our confidence

28

and deep convictions of the ability to accomplish

29

this program is based on more than nationalistic

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attributes. Primarily we are prompted by our



1 assessment of "success versus failure" considerations,
2 and the profit potential for our firm, our clients,
3 and the economic stability of our country.

4 Needless to say, we will attempt to convince the
5 Royal Commission and our fellow citizens, as we
6 have convinced ourselves, of the need to act on our
7 recommendations. This is the first essential
8 hurdle we must surmount if we are to reach a
9 successful solution. For this reason we wish to
10 review some of the answers given to date which may
11 have created blocks to our ambitions.

12 1. We are led to believe by the local
13 automobile manufacturers that a small car is not
14 of vital importance. This we can only assess as
15 their meaning -- to show a profit at the present.
16 Certainly, they could not have had employment,
17 the consumer and export in consideration. A
18 marketing survey, conducted by an independent
19 authority, would no doubt disclose that a "Canuck"
20 can be sold at a competitive price, a higher
21 profit, and in greater quantities than all of the
22 imports combined. One of the several ways of having
23 a "Canuck" design is outlined in our brief; others
24 can be disclosed on a confidential basis.

25 2. The break-even point for assembly is
26 undefined. One firm infers that 35,000 units is
27 insufficient, while another is embarking on a
28 figure of 10,000 units per year. I would like to
29 present some rounded out actual figures for the
30 assembly of a large as well as a small automobile,



1 which show that the break-even point can be as
2 low as 4,000 or 5,000 units per year. At the
3 same time, sir, I would like to correct a
4 misconception on labour content in details as compared
5 to sub-assemblies and assemblies in percentages
6 of the whole. It is common knowledge in production
7 engineering that sub-assemblies and final
8 assemblies constitute more than 50 per cent of
9 direct labour, excluding set-up and material
10 handling time. How much more is dependent on
11 design and plant facilities?

12 Here is how we accomplished our goal.
13 Objective: 4,000 units per year at 70 per cent
14 production capacity.

15 THE CHAIRMAN: When you say you accomplished
16 your goal do you mean to say you are producing in
17 Canada?

18 MR. MURGASKI: No, this has been done
19 quite successfully, and is now about to be
20 repeated.

21 THE CHAIRMAN: When you say "done" you
22 mean that estimates have been made? Has it
23 been produced?

24 MR. MURGASKI: When we start out on a
25 program this is what we hope to accomplish. What
26 is actually accomplished may be different. Whether
27 or not it is accomplished due to the planning or
28 to other factors is what you are asking me about.
29 I would say we accomplished our portion of it, but
30



1 that the marketing on the large car did not meet
2 the expectations of the production people at that
3 time. However, on the small car, which is enjoying
4 so much current success, we had met our production
5 ambitions in our costs and our estimates ---

6 THE CHAIRMAN: I am sorry, but I must get
7 this straight. As I understand it, you are
8 management consultants?

9 MR. MURGASKI: Yes.

10 THE CHAIRMAN: You are now talking as
11 though you were a manufacturer of automobiles.

12 MR. MURGASKI: No, as I pointed out in
13 my preface, these are the experiences of our
14 principals.

15 THE CHAIRMAN: So this is not the way
16 you have produced the "Canuck"?

17 MR. MURGASKI: In this case it is. This
18 is my experience I am relating, and I am a 50 per
19 cent owner of this group.

20 THE CHAIRMAN: But are they producing a
21 car?

22 MR. MURGASKI: No, they are not producing
23 a car. May I clarify this by saying that I was
24 chief production engineer for a firm which had
25 done this.

26 THE CHAIRMAN: Which produced a "Canuck"?

27 MR. MURGASKI: That is right.

28 THE CHAIRMAN: Can I buy one?

29 MR. MURGASKI: Yes, you can.
30



1 THE CHAIRMAN: Is it confidential?

2 Is this an anonymous car, or ---

3 MR. MURGASKI: No ---

4 THE CHAIRMAN: Excuse me, sir. I do not
5 really ask you to declare it, but what I want to know
6 and what I am trying to get clear -- I thought you
7 were talking about a car that you suggested could
8 be produced.

9 MR. MURGASKI: No.

10 THE CHAIRMAN: If "Canuck" is the pseudonym
11 for an existing car, we must clarify it.

12 MR. MURGASKI: No, I am pointing out an
13 actual case history in order to get at what is the
14 break-even point in my suggestions for the
15 immediate solution to the unemployment problem.
16 I follow this course, and I would like to point out
17 at this point so that those sitting here may know
18 what I am talking about here, that I was Chief
19 Engineer for Chatco Steel Products. I think that
20 will suffice for a while for those who are familiar
21 with the industry. I do not think it would be of
22 advantage for me to mention any further because of
23 the position in which it might place this firm which
24 is embarking on this program. If I have made my
25 own position clear, I will go on. I am qualifying
26 a group to give these figures.

27 Objective: 4,000 units per year at 70 per
28 cent production capacity.

29

30



1 1. Assembled body and all other sub-
2 assemblies from raw stampings which were supplied
3 to us palletized or boxed from the parent plant
4 in the United States.

5 2. Assembled motor and rear axle which
6 came in from the United States partially assembled.
7 Remainder of components were supplied from Canadian
8 sources.

9 3. 80 per cent of the remaining components
10 were supplied from Canadian sources.

11 Our operation consisted of body, in white,
12 metal finish line, spot welding department,
13 conveyORIZED system, paint department, trim line,
14 high line, engine-axle assembly department, final
15 touch-up and inspection.

16 We received \$360 for each automobile,
17 which covered our labour, plant overhead and a
18 $7\frac{1}{2}$ per cent profit. This automobile sold for about
19 \$3,000. We also assembled the first compact car
20 with a break-even point of 5,000 units on the same
21 line. We had no difficulty meeting minimum labour
22 content requirements, and were changing designs
23 constantly to increase same.

24 All we sold was our labour, ability and
25 plant facilities. Our initial outlay for plant
26 equipment and standard tooling was around \$160,000.
27 I estimate the cost of tooling, peculiar, to be
28 around \$40,000, which was paid for by the parent plant.
29 All tooling was made in Canada.
30



We made a far better product at a lower cost, which can be substantiated readily. At 10,000 units per year American Motors will undoubtedly make a substantial profit.

And then I have a sub-note here, that we have a good number of Canadian firms who are prepared to undertake present quantities, assembly contracts for foreign or domestic firms, with an added stipulation that there would be some pie-cutting at Christmas. This is not new in the automotive industry. It has been done before by the Big Three, where they have sub-contracted a complete model to be supplied to them, and I offer any number of Canadian firms who would embark on such a program were they given this opportunity to compete in the final assembly with imported cars.

Have I made this particular point clear?

—

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ending

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3 THE CHAIRMAN: Go on.

4 MR. MURGASKI: Thank you. In the matter
5 of component supply: Confidential reports from
6 production engineers in Canadian feeder plants is
7 that -- "We can compete in everything except in
8 tooling amortization." It may be well to extend
9 the D.D.P. tooling assistance program for defence
10 for marginal cases to the automotive parts supply
11 industry.

12 4. On the question of integration -- I
13 sincerely feel that I would like to pass this up
14 except to register a strong protest against this..

15 5. On unrestricted reciprocity -- this
16 is a personal feeling -- U.S. plants can fill our
17 full requirements without any difficulty and charge
18 us whatever price they want for their product.
19 Under these conditions I feel that U.S. plants
20 would fill of our needs without further ado, and
21 our standard of living would be immediately
22 dropped and we would have to reorient ourselves
23 to this change.

24 6. Research -- and this is perhaps my
25 answer on questions as to how we might influence
26 design because it is being done in other industries.
27 I might point out that in the electrical industry
28 we have been very, very successful in **regulating**
29 what comes in and what is made here by simply
30



2 1
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3 setting up a standard code of minimum constructional,
4 performance and safety requirements for the rating
5 of automobiles to Canadian temperature, humidity
6 and dust conditions, as well as compliance with
7 highway regulations. Modern cold room testing
8 facilities are required. Stimulation of creative
9 thinking is necessary so that research can be
10 applied in a specific direction.

11 Lastly, may I suggest that a promoter
12 financier, a marketing man, and an automobile
13 production engineer might be of some further
14 assistance. Perhaps a short survey of the consumer
15 may assist you in determining the ever-growing
16 popularity of the Bladen "Beaver".

17 In summary, I cannot see any solution
18 from answers of those who were under the guillotine
19 in appearing, nor those of their suppliers, nor
20 those of their accusers.

21 I now would like to go on specifically
22 to our short-term recommendations and into our long-
23 term recommendations, if I may.

24 In the short-term recommendations we have
25 taken what we would call each of the groups and
26 made suggestions as to how each group might react
27 or what each group may do to alleviate the immediate
28 problem which we stress as being unemployment.

29 In order to improve the ability of the
30



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3 Canadian automotive industry to maintain the desired
4 level of employment in the shortest period of time,
5 we recommend that:

6 (1) The Government should request the
7 Canadian producers to voluntarily reduce the number
8 of models offered for sale to the public. This will
9 result in considerable savings which can be readily
10 determined from available figures. Such savings
11 are to be passed on to the consumer in the form of
12 price reduction. It is our opinion that the supplier,
13 manufacturer, and consumer will benefit from this
14 recommendation.

15 (2) The Government should request that
16 Canadian producers voluntarily standardize on such
17 items as wheels, fuel tanks, spark plugs, etc.,
18 and that such standardization continue on other
19 items progressively.

20 (3) The Government should request the
21 importers to limit stock in Canada to projected
22 quotas.

23 (4) Consider the possibility of devaluing
24 the Canadian dollar and the effect on the automotive
25 industry.

26 (5) The Government should work out a
27 program of educating the public in buying automobiles
28 produced in Canada. Government, manufacturers,
29 suppliers and unions should participate in this plan.
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3 (6) Consider revising the present tax laws
4 to shorten the write-off period for initial investment
5 in plant, buildings and equipment.

6 (7) Study gasoline prices and possible
7 price reductions, that is with a view towards higher
8 volume because of larger sales, same revenue, lower
9 price.

10 (8) Appoint an authority to:

11 (a) Follow up on the above recommendations;

12 (b) Plan, schedule, expedite, co-ordinate
13 and report on progress of above;

14 (c) Act as a liaison body to ensure that
15 the reductions in cost as a result of
16 recommendations are being utilized
17 for their intended purpose.

18 (9) Government should co-ordinate
19 the efforts of the Department of Trade and Commerce
20 with the Department of National Revenue so that a
21 wooing of foreign industry program is not accompanied
22 by an increase in tariff program. Perhaps one
23 department could give an impetus to the other by
24 advance notice of their intent.

25 (10) Inform all concerned of desire
26 to bolster employment, the home industry, as well
27 as to encourage more direct participation in
28 Canadian economy by inviting foreign manufacturers
29 to plan Canadian operations.
30



The above recommendations are intended to benefit all concerned and to give them the opportunity to implement the changes deemed essential to the overall improvement of the Canadian economy without legislative measures. It is felt that the adoption of these recommendations would give the necessary relief from unemployment without antagonizing our overseas customers. The measures taken are purely sound, competitive business considerations. Dependent upon the reports of the appointed authority relating to improvement in the industry, a plan of further action may be necessary.

Now, future planning, which we feel is so important, essential to the export trade.

Planned annual styling obsolescence for utility automobiles is extremely wasteful to Canadian economy. It is this type of promotional technique and competitive situation, established by U.S. marketing trends, that has resulted in the problems we are facing today in Canada. An interesting U.S. trend has been uncovered which has had diverging success in Canada, in that, the intermediate size of automobile (compact car) is showing increasing popularity in the U.S. and decreasing popularity in Canada. The longer term plan must therefore ensure that Canadian producers will manufacture according to Canadian



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3 public wants, and thereby ensure a competitive
4 condition and a sound economy. The steps outlined
5 previously for immediate action would eventually
6 lead those participating to produce a small car for
7 which the need has been presently fulfilled by
8 imports. This realization may prompt foreign manu-
9 facturers to re-locate in Canada in time to participate
10 in the plan.

11 The first steps to such an objective would
12 be to:

13 (1) Make funds available for the writing
14 of specifications for, let us say, The Canuck auto-
15 mobile. These would be first outlined by a study
16 group who in turn would forward tentative copies
17 to all concerned for comment and recommendation.

18 I am afraid that in so far as the
19 Beaver is concerned, it may already carry a stigma,
20 and so I suggest Canuck.

21 World wide design competition for styling
22 can be organized to gain the necessary publicity
23 and acceptance. Successful stylist would be
24 required to work with a Canadian design team in
25 Canada until completion of design.

26 At this point it may be desirable to
27 outline some of the other specifically Canadian design
28 features which are desirable:

29 (a) Extreme temperature changes in
30



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2 short time intervals with colder extremes require
3 better insulation along with improved starting-
4 lubricating features.

5 (b) Salt on Canadian roads indicate that
6 we should utilize aluminum bodies and possibly
7 aluminum coated underframes.

8 (c) Long or short distance comfort
9 features. Canadians have longer distances to traverse
10 due to population density. U.S. drivers travel
11 further possibly, but cover shorter point to point
12 distances.

13 (d) Utility car may also have some
14 sport car features such as a manual hard top for
15 winter or summer use.

16 (e) Design for automation for Canadian
17 quantities: Economic justification of automation
18 facilities is to be determined on the basis of
19 Canadian volume requirements.

20 I think that is meant to include
21 export as well.

22 (2) We recommend that the final drawings
23 and specifications be made available to participating
24 firms who would agree to pay for same on a royalty
25 basis. The supplier firms would compete for the
26 supply of components. Assistance would be given
27 if desired for initial tooling costs. Eventually
28 the monies advanced by the Government for this
29
30



1
2 purpose would be returned with interest.

3 (3) Restrictions on special machinery
4 should be considered to encourage local fabricators
5 to compete on supplying same to the Canadian Auto-
6 motive Industry. (Foreign governments have assisted
7 the machinery industry to develop their product
8 for export through large defence programmes).

9 (4) Needless to say, Government sponsor-
10 ship of such a program would give it the necessary
11 impetus. Firms participating would be assured of
12 competing for the sale of the utility car to all
13 levels of Government who would show preference for
14 same.

15 (5) Government should work out a program
16 of educating the public in recognizing specific
17 Canadian needs; economic as well as functional.
18 Special emphasis should be placed on the need to
19 conserve our natural resources for our Canadian
20 needs as well as on the theme of self-efficiency.
21 Finally, and if need be, Government may project
22 a deadline date by which a minimum Canadian
23 content must be met in order to market their
24 product in Canada.

25 (6) Government should give special
26 consideration to any firm whose principal ownership
27 and control is Canadian and which shows interest
28 in further exploiting the profit potential
29
30



1
2 of the truly Canadian automobile.

3 Producers: In a free enterprise system
4 a company's main obligation must be to their share-
5 holders. In this respect the Canadian producers,
6 as subsidiaries of American concerns, must be guided
7 by the policies established by the parent company.
8 We therefore present the view that it is up to the
9 Canadian Government to establish the basic needs, and
10 if necessary, rules and regulations that will
11 ensure that any concerns conducting operations on
12 Canadian soil do so in a manner that will be of the
13 utmost benefit to Canada, at the same time granting
14 that such regulations must not be detrimental to
15 the profitable operation of the company. The only
16 recommendation, therefore,, that we wish to present
17 in this category is:

18 That the producing companies co-operate with
19 the Government to the fullest extent in conducting
20 their operations in accordance with planned objectives,
21 knowing that these have been designed to strengthen
22 our national economy.

23 The Public -- and there we have broken
24 it down into two categories: (a) Labour, (b)
25 Consumer.

26 Wage and fringe benefit demands must be
27 kept realistic and demands of this nature must be
28 proportionate to labour's ability and willingness to
29
30



1
2 increase output. Strikes, slow-downs and any other
3 disputes that eventually result in higher costs
4 and selling prices, must be avoided.

5 Consumer: All sections of the consuming
6 public (including labour) must be ready to purchase
7 Canadian wherever possible.

8 IV. Foreign Manufacturers:

9 (1) Should be invited to air their views
10 and recommendations on the proposed course of action.

11 (2) Should be prompted to give
12 Canadians an opportunity to purchase greater
13 interests in their Canadian operation.

14 (3) Abandon attitude of Canada -
15 "a plus business" on a take it or leave it basis.

16 Conclusion: The Canadian Automotive
17 Industry has been and can continue to be a profitable
18 major element of Canada's secondary industry.

19 However, its position as a major employer
20 of Canadian labour now and in the future, and as
21 such a substantial contributor to the Canadian
22 economy, is dependent upon prompt and effective
23 enforcement of the recommendations included in the
24 body of this report.

25 That is all.

26 THE CHAIRMAN: I will just ask a few
27 questions on some of your recommendations. "The
28 Government should request the Canadian producers to
29
30



1
2 voluntarily reduce the number of models.."

3 Then you have this complaint, you must not hurt their
4 profits. What sort of a request is this?

5 MR. MURGASKI: No, to reduce the number of
6 models didn't infer that it is not possible for them
7 to do so.

8 THE CHAIRMAN: Why are they not now doing
9 it?

10 MR. MURGASKI: Because there is a lack of
11 some co-ordinating effort. Let me put it, perhaps,
12 that they are afraid to get together on this
13 question.

14 THE CHAIRMAN: Haven't we got a very strong
15 anti-trust provision which may very well make them
16 properly afraid? Is your view that they should be
17 given freedom under the Combines Act?

18 MR. MURGASKI: Yes, I do. The three of
19 them are in competition, and if the other two come
20 to me, there is always suspicion of my methods,
21 and it takes an impartial outside group to inter-
22 mediate between the three.

23 THE CHAIRMAN: But if there is an impartial
24 outsider, and having got them together, all four
25 would be subject to the combines legislation.

26 MR. MURGASKI: It all depends what
27 they try to do when they get together.

28 THE CHAIRMAN: To restrict competition,
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2 in the form of model change.

3 MR. MURGASKI: This is one thing we
4 recommend, that the Government might assist this way
5 by saying we recommend that you three get together
6 and consider the position.

7 THE CHAIRMAN: Do you think that I would
8 have much success in persuading the Government to
9 persuade the automobile industry to reduce its
10 competition?

11 MR. MURGASKI: Mr. Bladen, I think you have
12 an awful lot of influence, and after this hearing
13 you have more influence on the Big Three.

14 THE CHAIRMAN: I am afraid you exaggerate.

15 MR. MURGASKI: It is possible, but it is
16 a feeling, to make sense, that they will not by-
17 pass what is sensible.

18 THE CHAIRMAN: What about voluntary stand-
19 ardization?

20 MR. MURGASKI: Well, voluntary standardization
21 and more or less diminishing the number of models is
22 more or less the same thing.

23 THE CHAIRMAN: The spark plug and the door
24 hinge.

25 MR. MURGASKI: This is usually done by
26 their supplier who, quite frankly -- can you imagine
27 the tail coming to the dog to wag him? Apparently,
28 the supplier of the spark plug must go to each of the
29
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3 Big Three for whom he produces and attempt to
4 standardize this item.

5 THE CHAIRMAN: This problem of standard-
6 ization is a matter of very great interest to me,
7 but so far nobody has told me what I can do to
8 promote it.

9 MR. MURGASKI: May I make one suggestion,
10 and I made it initially? A good automotive
11 production engineer may study this particular problem
12 and then come out with the recommendation as to
13 what is an unbiased opinion and what might be done.

14 THE CHAIRMAN: You see, engineers
15 disagree just about as generally as economists do.

16 MR. MURGASKI: Yes; but the logic
17 ultimately of what is said is accepted.

18 THE CHAIRMAN: Number 3, quotas. Having
19 restricted competition between the domestic producers,
20 you are going to restrict the competition of imports.

21 MR. MURGASKI: No. I suggest that the
22 foreign countries be asked well ahead of time:
23 How many cars are you going to send into Canada
24 this year, and will you please stick to it.

25 THE CHAIRMAN: And let it not be too
26 many.

27 MR. MURGASKI: This is a voluntary course
28 of action, and if I don't want to do it, I don't
29 do it.
30



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3 THE CHAIRMAN: We don't restrict the
4 competition of the Japanese by asking them not to
5 export too much to us.

6 MR. MURGASKI: In this particular case
7 you will probably get more of the other.

8 THE CHAIRMAN: "Consider the possibility
9 of de-valuing the Canadian dollar and the effect
10 on the Automotive Industry.." How are we going to
11 de-value?

12 MR. MURGASKI: I am not qualified to
13 answer that. I leave it in your lap as an economist
14 to consider.

15 THE CHAIRMAN: And you think it should
16 just be considered in relation to its effects on
17 the Automotive Industry.

18 MR. MURGASKI: Yes. I realize it affects
19 the whole economy, and I think there is justification
20 for considering it from a pure automotive aspect.

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1 THE CHAIRMAN: If it means getting rid
2 of the present over-valuation I would be more
3 sympathetic, I think, but it is a little hard to
4 put this as purely an automotive problem. Can you
5 get the public to buy automobiles, and this is
6 the problem which I was discussing earlier, and
7 we do want education. We are teaching them how to
8 drive cars in high school and perhaps we will have
9 to teach them how to buy the things in high
10 school.

11 MR. MURGASKI: The government should
12 undertake the programs. They did certain
13 educating of the public under emergency conditions,
14 and I think that unemployment is becoming an
15 emergency condition and therefore, frankly -- well,
16 let us leave it at that.

17 THE CHAIRMAN: Then, you want me to
18 recommend the appointment of another board?

19 MR. MURGASKI: No, no --

20 THE CHAIRMAN: An authority, not a board.

21 MR. MURGASKI: Yes. I understand that
22 your authority is to the end of your report. Does
23 it extend beyond this?

24 THE CHAIRMAN: No. I can recommend the
25 appointment of an authority, but I will not --
26 I will not say that I will not, but I am not
27 attracted to adding one more regulating board.
28 Will we have one for each industry in Canada?

29 MR. MURGASKI: I will tell you how it is done
30



1 now, sir; we have a Canadian Standards Association
2 which is a federal group, and it may be their
3 responsibility to establish -- they might become the
4 authority.

5 THE CHAIRMAN: What are they going to have
6 authority over?

7 MR. MURGASKI: They will have authority over
8 the written specifications for the compliance of
9 those automobiles to specific Canadian needs.

10 THE CHAIRMAN: You have got greater faith
11 than I have in the ability of the government to
12 design a car that I want.

13 MR. MURGASKI: Well, I have, sir, and
14 probably --

15 THE CHAIRMAN: Have you ever worked for
16 government or with government, or have you always
17 been in private business?

18 MR. MURGASKI: I have always been dealing
19 with government, and I have worked with the Big
20 Three and I have been in private business, sir.

21 THE CHAIRMAN: And are you really as --

22 MR. MURGASKI: Enthusiastic?

23 THE CHAIRMAN: Yes, enthusiastic over the
24 creativity of government boards?

25 MR. MURGASKI: Well...

26 THE CHAIRMAN: I think you have answered.
27 When we come to the Canuck, I am not quite sure who
28 is going to produce it. As far as I can see, the
29 government will provide the money, and if it is hard
30



1 to get them to drop the excise tax, it will be
2 even harder to get them to provide the investment
3 for this thing.

4 MR. MURGASKI: We don't say where the money
5 is available from, but part of it is available
6 now, sir, and what I want to say is that this
7 particular automobile -- our recommendation is that
8 it be given to anyone who is in the automobile
9 business and say, 'Now, here, this is what the
10 trend seems to be towards, and this we could prove
11 before, so here is..."

12 THE CHAIRMAN: Could you prove it before?

13 MR. MURGASKI: Oh yes, sir.

14 THE CHAIRMAN: Can't people prove
15 conclusively to this body that a particular
16 automobile would be a great success and then have a
17 great disappointment when they produce it?

18 MR. MURGASKI: You mentioned it, sir, in
19 referring to Hitler.

20 THE CHAIRMAN: I wasn't thinking of Hitler.

21 MR. MURGASKI: But it is an extreme
22 success, sir, and it is a plant-predicted success
23 determined by very, very accurate means. This new
24 science is called motivation research, which may
25 be familiar to some of the people here, but it is
26 really a science of determining why people behave
27 like they do.

28 THE CHAIRMAN: I suggest that you read the
29 article by Professor Rodfield on the art of social science.
30



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1 MR. MURGASKI: Thank you; I will make a
2 note.

3 THE CHAIRMAN: If you are interested, I
4 could send it to you.

5 MR. MURGASKI: I am not.

6 THE CHAIRMAN: You are not?

7 MR. MURGASKI: No. As a matter of fact, I
8 heard your comment as to Hitler's contribution, and
9 I am sorry, but Hitler had nothing to do really
10 with the success of the Volkswagen.

11 THE CHAIRMAN: I didn't want to attribute
12 it to him particularly.

13 MR. MURGASKI: He wasn't there.

14 THE CHAIRMAN: He wasn't there?

15 MR. MURGASKI: No sir, not when it became
16 a success.

17 THE CHAIRMAN: No, but when it was designed
18 it would have been a success perhaps earlier if
19 the war had not intervened, but let us not get
20 into the Volkswagen.

21 All I want to do is thank you because
22 when an individual with no interest takes the time
23 to appear before me and give me advice, I am very
24 grateful. Thank you very much.

25 We shall reassemble at 2 o'clock when
26 Professor English will make a submission.

27
28 --- Luncheon adjournment.
29
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1 --- On resuming at 2 o'clock p.m.

2 SUBMISSION BY H.E. ENGLISH, Ph.D.,
3 Associate Professor and Chairman,
4 Department of Economics,
5 Carleton University

6 Present: Professor H.E. English.

7 THE CHAIRMAN: This afternoon we have just
8 one submission, a submission by Professor English
9 of the Department of Economics of Carleton University.
10 He may not feel very much at home in these surround-
11 ings, but I feel rather more at home in dealing
12 with a fellow academic economist than I did with
13 some of the others who have appeared to make
14 submissions before me.

15 PROFESSOR ENGLISH: May I give you the
16 option of hearing this brief?

17 THE CHAIRMAN: I would suggest you read
18 it. I have been studying a copy. Am I right in
19 thinking that this is the only page that is changed?

20 PROFESSOR ENGLISH: Yes. I would like
21 to point out some typographical errors in the
22 mimeographed copy. It was prepared rather late
23 and I had not a chance of checking it as carefully
24 as it should have been checked.

25 On page 3 in the fourth line from the
26 bottom "The only reason" should read "The main
27 reason".

28 On page 6, and this is an important change,
29 in the sixth line from the bottom the figure "28,000"
30



1 should be "18,000".

2 Page 7, in the fifth line from the bottom,
3 the word "seals" should be "scale".

4 On page 8, in the thirteenth line from the
5 top, the words "mere factors" should be "some
6 factors".

7 I am sorry for the number of these
8 corrections. Shall I proceed?

9 THE CHAIRMAN: Yes, please.

10 PROFESSOR ENGLISH: This submission embodies
11 an effort to view the problems of the automobile
12 industry in the context of the growth of Canadian
13 manufacturing industry generally, and in the still
14 broader context of trends and opportunities in
15 the new international economy of the 1960's. The
16 underlying assumption of such a submission is
17 that an appropriate public policy affecting this
18 and other manufacturing industries is more likely
19 to emerge from an appreciation of the relative
20 strength of the various sectors of secondary industry
21 and, especially for Canada, a realistic appraisal
22 of prospects in international markets. There may
23 be an additional advantage in a comparative approach
24 since it seems likely that policy change adopted
25 respecting the automobile industry will be
26 considered by many as establishing a precedent for
27 policy affecting other Canadian industries.

28 An Historical Perspective: I have recently
29 examined a group of manufacturing industries including
30



1 most of those which encounter import competition.
2 The figures in the table are indexes of the net
3 value of production of the specified industry
4 groups, and indexes of the value of imports of
5 similar products.

6 I will not read the table, but the follow-
7 ing general conclusions follow it.

8 The eight groups fall into three
9 categories -- industries for which Canadian pro-
10 duction has grown very much more than imports
11 (labelled I), those for which Canadian production
12 has grown at about the same rate as imports (II),
13 and those whose production growth has been slower
14 than the growth of imports (III). Automobiles
15 are clearly in the first category. The principal
16 characteristic which would appear to distinguish
17 category I industries from those in category II
18 is the relative homogeneity of product. In
19 spite of the problems of model varieties in
20 automobiles, which will be discussed later, the
21 automobile industry like the steel industry has
22 over the past thirty years grown to the position
23 where it enjoys a large market for its principal
24 products, relative to other Canadian manufacturing
25 industries. (The same is true to a considerable
26 extent for the main cotton and synthetic textiles
27 though the figures here also reflect a generally
28 higher level of protection.)

29 On the other hand, the industries in
30 category II and industrial machinery as well

1 produce a much wider variety of products for which
2 the individual markets are usually smaller. A
3 significant comparison in this connection is
4 between automobiles and electrical apparatus,
5 the other major consumer durables group. Another
6 factor which has maintained the growth in imports
7 of electrical goods, and of other products covered
8 by category II, is the frequent introduction of
9 new products. In the earliest stages of development
10 such products have typically been imported,
11 raising the general level imports for these groups.
12 In spite of these factors, even category II
13 industries have grown more rapidly than related
14 imports. The main reason why category III has a
15 different record is that it contains the two
16 industries which have experienced a significant
17 decline in protection.

18 Finally, the over-all contribution of
19 these eight industry groups to the net value of
20 manufactures has increased from 30.5 per cent in
21 1926-9 to over 35.5 per cent in 1953-5. This
22 represents a significant advance in industrial
23 diversification.

24 The relevant conclusions from this data
25 seem to be two. First, industries producing
26 manufactures in Canada have gained considerably in
27 strength over the quarter century since the late
28 1920's, and that this has happened despite some
29 decline in trade restrictions.
30

1 Secondly, the automobile industry has
2 shown particular strength.

3 It is my view that these figures reflect
4 in only a modest degree the significant change
5 which has taken place in the potential for
6 manufacturing industry in this country. The
7 market for manufactured goods has more than tripled
8 between the boom years of 1926-9 and the boom of the
9 mid-fifties, and it is no longer valid to cite
10 the small size of the Canadian market as a necessary
11 limitation upon the prospects for many Canadian
12 manufacturing industries including the automobile
13 industry. The time has come for Canadians to
14 consider which manufacturing industries are our
15 appropriate specialties; and to stop the trend
16 toward construction of a miniature replica of
17 American industry north of the border. An orderly
18 rationalization of Canadian manufacturing is now
19 possible without endangering our capacity to
20 maintain employment in the manufacturing sector
21 as a whole.

22 An International Perspective: A glance
23 at the emerging pattern of world trade and at the
24 efforts of other nations to adjust to it may
25 help us to see why we must rationalize the
26 manufacturing sector of our economy and how the
27 task might be accomplished.

28 As has so often been stated, we are
29 entering a period of much tougher international
30



1 competition. The older nations of Europe, compelled
2 by political necessity and economic opportunity,
3 are moving toward regional common markets and
4 free trade areas. Even the relatively less
5 developed countries of Latin America are groping
6 for a more productive pattern of industrial
7 activity through specialization and exchange. The
8 effect of these changes toward competitive
9 production in larger markets will be a larger
10 supply of lower priced better quality manufactures
11 on world markets than ever before. There are only
12 two alternatives open to Canada in this situation --
13 either we, too, select our appropriate specialties
14 and enter into international competition or we
15 build higher walls of protection against the
16 increasing pressure of external suppliers. The
17 latter policy has in my view serious, perhaps
18 disastrous, shortcomings. As a nation with a
19 high standard of living, we would be rightly
20 condemned for cutting off the trade of those whom
21 we call friends or seek to influence. Freer world
22 trade offers us at the same time an opportunity
23 to cooperate with other nations and to advance our
24 standard of living through specialization in our
25 most productive lines of economic activity, a
26 policy which will in turn provide us with the funds
27 necessary to meet our international obligations.

28 On purely economic grounds an autarkic
29 policy would have other dangers. Our leading resource
30



1 industries, most of which will continue to depend
2 for well over half of their markets on external
3 buyers, would suffer while some hot-house
4 manufactures are extravagantly maintained.

5 One should not suggest that adjustment
6 is easy, but if it is not begun soon it will
7 come at a less propitious time when other nations
8 have a greater economic lead.

9 One of the half truths one often hears
10 in Canada is that we have been true to trade
11 multilateralism while others have betrayed the
12 cause of GATT. We have compared ourselves
13 favourably with countries which, with greater
14 problems of growth or post-war readjustment, have
15 had much more reason to bend the provisions of
16 GATT. It will surprise some to learn that there
17 are nations which have accepted the challenges of
18 international competition while we have avoided
19 reductions in trade restrictions which would have
20 any substantial effect on the pattern of our
21 industry. We should have compared ourselves with
22 those in similarly fortunate circumstances. A
23 good example is Sweden. Sweden, a country alleged
24 to be socialist because of the effective public
25 relations practices of its Social Democrat govern-
26 ment, has shown more faith in the advantages of
27 competitive private enterprise than we have. Swedish
28 tariffs are generally lower than Canada's (10 to
29 20% on most manufactures, though 15% on automobiles).
30



1 With less than eight million people, and a lower
2 per capita income, Sweden has a domestic market
3 less than one third the size of ours. Yet Sweden
4 produces and sells effectively in world markets
5 manufactures such as special steels, ball bearings,
6 electrical and telephone equipment and automobiles.

7 The Swedish automobile industry, protected
8 by a 15% tariff, and with 70% of the domestic
9 market supplied by foreign producers, has produced
10 in recent years two types of car, of which one, the
11 Volvo, has been especially successful internationally
12 in competition with a wide variety of four cylinder
13 medium sized cars which are slightly lower in
14 price. The comparative price here of the
15 cheapest Volvo is about \$2100, a little above
16 comparable British cars apparently mainly because
17 of the higher tariff. In 1959 Volvo sold about
18 85,000, of which 44,000 were exported, including
19 18,000 to the U.S. With the same relative position
20 in domestic and export markets a Canadian producer
21 would be able to dispose of an annual product of
22 200,000 cars.

23 All in all, machinery and equipment,
24 including transport equipment, play an equal part
25 in Sweden's imports and exports; in recent years
26 about 30% of her total trade. Why should Sweden
27 have been able to do this? One reason surely is that
28 Swedish private enterprise has responded to the
29 challenge of international competition rather than to
30



1 attempt to reserve its domestic market to Swedish
2 manufactures.

3 The Canadian Automobile Industry: What
4 does the foregoing contribute to an understanding
5 of the sources and to the search for a solution of
6 the present problems of the Canadian automobile
7 industry? It is apparent that in spite of the
8 underlying strength of automobile production in
9 Canada, reflected in the growth index, the
10 industry was not ready to deal effectively with the
11 European competition which has developed since
12 1957. The historical evidence and the Swedish
13 experience strongly support the view that it has
14 been the policy of the manufacturers and not any
15 basic characteristic of the Canadian economy which
16 explains the current situation. The faults in
17 the structure and behaviour of the industry
18 include the following familiar complaints: too
19 many firms, too many models, too frequent model
20 changes, too elaborate a product and failure to
21 expand exports as a means of attaining higher and
22 more efficient production levels.

23 It is an indication of the potential of
24 the Canadian market that in the face of all these
25 sources of increased cost of production the
26 industry survived and was profitable during the
27 period covered by the growth indexes. The
28 Canadian market absorbs about 400 thousand cars
29 annually. Evidence given by the industry itself
30



1 indicates that the minimum efficient scale of
2 output necessary to attain the advantages of mass
3 production in assembly operations is not greater
4 than 100,000 cars and may be much less. Yet in
5 Canada we have three major (and two minor) producers
6 each producing several makes of automobile. There
7 are well over a hundred models being produced in
8 Canada, excluding numerous minor variations. I
9 understand that Ford said the other day that it
10 still produces thirty-six models in this country.
11 All of us know what a mammoth effort is put forward
12 on television to create wants in the Canadian
13 public for this extravagant variety of automobiles.
14 Every year model changes are made which add still
15 further to the cost per car. It has been estimated
16 that this alone adds \$200 to the price of a car
17 even in the United States, probably significantly
18 more in Canada.

19 The increa~~asing~~ elaborateness of cars
20 designed and produced in North America during the
21 last five years means that most of the models
22 traditionally produced in Canada now cost more than
23 \$3,000.

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Under all these circumstances it has become increasingly important for Canadian manufactures to find export outlets in order to achieve sufficient volume of production. But the same factors explain to a considerable extent the difficulty in achieving market expansion since the product is so unsuited to the wants and incomes of most overseas customers.

The explanation which seems inescapable is that the policy of the Canadian industry has never been formulated with Canadian interests uppermost in the minds of the producers. The reason is not difficult to locate. The practices of the industry have been determined in the head offices in the United States. They are the predictable result of oligopolistic non-price competition in a setting where the enormous size and wealth of the market have enabled firms to adopt in extreme form the practice of differentiating a complex product with little regard for the tremendous additional real cost involved. Transferred to Canada, these practices have had little meaning, but the big three could not bring themselves to break with this traditional market behaviour. It is perhaps not too surprising in view of the size of the Canadian domestic market that no one of them has contemplated designing a Canadian car. Had there been fewer of them this would undoubtedly



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3 have happened. But it is more difficult to explain
4 why, given these same circumstances, no long term
5 effort has been made to expand export activities
6 of Canadian branches. Undoubtedly however, the
7 efforts of other governments, like that of Australia,
8 to compel production of automobiles (whether
9 appropriate or not) has affected the prospects
10 for Canadian exports.

11 The policy of American-owned firms
12 could not, however, have persisted in error if
13 Canadian public policy had not permitted it. It
14 is the Canadian tariff which has allowed the big
15 three to carry on undersized and inappropriate
16 manufacturing operations. A 17-1/2 per cent
17 safety margin has apparently been sufficient to
18 make unnecessary the uncomfortable decision to
19 break with U.S. practice. If it seems difficult
20 to understand why the obvious unsuitability of
21 American production practices for Canada has not
22 brought about a change in practice, it is I believe
23 only necessary to emphasize that the risks of a
24 market war among economic troglodytes, and in
25 particular its implications for their relations
26 south of the border, are much greater than the
27 sacrifice of profit which results from a failure to
28 rationalize the Canadian industry.

29 It is ironic that the Canadian commercial
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3 policy which was intended to nurture manufacturing
4 industry to maturity has instead become the means
5 of support for an industrial structure and practices
6 which, as long as they persist, make it impossible
7 for the industries to get along without protection.

8 Policy Implications: The conclusion
9 implied by the evidence I have cited and by
10 the results of my studies of other Canadian manufacturing
11 industries, is that any government which today
12 proposes the protective tariff as the cornerstone
13 of policy for Canadian economic development is
14 extending to the Canadian people an invitation to
15 dangerous delusion.

16 The coming of the wave of European auto-
17 mobile competition can do us a great service if it
18 awakens Canadians and especially Canadian auto-
19 mobile producers (and other manufacturers) to the
20 fact that the comforts of protection result in a
21 neglect of economic realities. If the Canadian
22 automobile market is henceforth to be supplied
23 efficiently and if export opportunities are ever
24 to be exploited, the record of recent years suggests
25 that it is more likely to happen as a response to
26 the challenge of increased competition than from
27 any other cause. There is today an increased
28 opportunity to build, upon the foundation of an
29 expanded domestic market, industries which can
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3 eventually supply distinctively Canadian products
4 to the larger and livelier world markets.

5 Perhaps Canada can and should soon become
6 a member of a regional trading group. But whether
7 or not she does, the time has come for a policy of
8 gradual and preferably general tariff reduction
9 as a means of urging upon Canadian industry the
10 adjustments it can and should make -- in the direction
11 of producing more efficiently more appropriate and
12 more exportable products. If Sweden can today do
13 these things with tariffs significantly lower than
14 ours, it is time for Canada to turn along the same
15 path.

16 If it can be demonstrated, as I believe
17 it can in the automobile industry, that failure to
18 adjust to Canadian needs is in part traceable to the
19 fact that the policy for the industry is not made
20 in Canada, the compulsions of competition are
21 the best means of getting American head offices to
22 take their Canadian operations and their Canadian
23 opportunities seriously.

24 If it is feared that under the rigours
25 of competition the American firms would abandon
26 their capital in Canada, surely the Government of
27 Canada can make it clear that it will not stand idly
28 by while an industry which is well founded on
29 Canadian soil is permitted to wither away. I have
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3 little doubt that a statement of policy along these
4 lines is all that would be necessary to assure
5 appropriate action by foreign owned firms.

6 One final comment. Problems arising from
7 the structure of industry ordinarily receive less
8 attention than those directly concerned with the
9 aggregate level of expenditure and employment.
10 Recently, however, there has been much talk of
11 structural unemployment. As an economist who
12 specializes in the study of industrial organization
13 I hope there will be an increasing realization that,
14 although full employment without inflation can be
15 achieved by a patch-work of fiscal and monetary
16 measures, it will in the future be much easier for
17 an open economy like ours to employ its labour force
18 if it produces goods which are competitive in the
19 increasingly challenging world markets of the
20 future.

21 I would add, Mr. Commissioner, that I
22 have a couple of statements in addition arising from
23 the discussions earlier this week, if you wish me
24 to proceed with those, or set them aside for the
25 time being.

26 THE CHAIRMAN: I think I will set them
27 aside for the time being.

28 I am very grateful to you, as I am to
29 anybody who devotes time and energy and brains to
30



6. 1 providing ideas and stimulus to this Commission.

2
3 It is very attractive to be told that we
4 should try and determine those industries which
5 have relative sense and that these are the ones that
6 should be encouraged. I am not so certain that one
7 can identify them beforehand. Am I right in
8 supposing that Table 1 is intended to help me to
9 identify the strong ones?
10

11 PROFESSOR ENGLISH: I think to a limited
12 extent it is. I would say that it would be much
13 more helpful if we had available, and to some
14 extent/^Icould make available, evidence on the breakdown
15 of these factors. Now, in the case of automobiles,
16 I don't think there is much need to break it down
17 very much further.

18 THE CHAIRMAN: Could I just raise some of
19 my worries and see if you can put them at rest.
20 The first is, does the pricing in this table first
21 depend to some extent, and I would think to a
22 considerable extent, on whether these industries
23 should receive tariff protection? They may appear
24 to be appropriate because the Government decided
25 that they should be therefore protected.

26 PROFESSOR ENGLISH: There is a different
27 amount of tariff protection for the different
28 industries listed, and I think that would have
29 to be taken into account in interpreting these
30



1
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3 figures.

4 THE CHAIRMAN: Your dates are important.
5 A hurried calculation after receiving this paper
6 suggested that if you compared 1958 with 1959
7 instead of 1953 with 1955 the automobile would be
8 in category 3, the production index of which has
9 gone down from 657 to 585 and the imports index
10 from 434 to 1,037. It would not only have been in
11 3, it would have been in 4 and 5 if you had
12 opened one up.

13 PROFESSOR ENGLISH: Yes. But I think the
14 point I made was a more important one than the
15 general one I was trying to make, because I think
16 the phenomenon of recent years has particularly
17 hit the automobile industry. What I was trying to
18 do was discover a moment in time when all industries
19 were the same competitively and which ones were
20 relatively advantaged; and in the period 1953 to
21 1955 we had a normal boom period, if that can
22 be called normal, somewhat related to the late
23 1920's, whereas in 1958 to 1959 we have some
24 effect of recession, and we have a special
25 phenomenon in the automobile industry which
26 wouldn't apply to the other industries. So
27 you couldn't make a good comparison between
28 automobiles and the other categories on the basis
29 of the 1958 to 1959 period.
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3 THE CHAIRMAN: It would depend on what
4 period you used. It gets a little worrying. Any
5 further views you have or any further development
6 of this, further defence of this as an index by which
7 one can sort out the industries according to whether
8 they are appropriate or not is, of course, highly
9 relevant. We should not try and go too strongly
10 against comparative costs.

11 You refer to the items under category 1
12 as showing a relatively high homogeneity of product,
13 and you say that in spite of the varieities in
14 automobiles you treat it as a homogenous product.

15 PROFESSOR ENGLISH: Relative to the
16 other categories.

17 THE CHAIRMAN: This industry isn't an industry
18 which produces a car as the farmers grow wheat;
19 it is a matter of producing an extraordinary variety
20 of parts and components which ultimately get assembled
21 into a car. Isn't it incredibly heterogenous!

22 PROFESSOR ENGLISH: Yes, in that context.
23 But the contrast I was trying to draw here is the contrast
24 in a product which, in the case of automobiles, is
25 a consumer good used right across the country as
26 compared to, say, the products in chemicals and
27 other iron and steel. When you come to comparison
28 between automobiles and electrical appliances it is
29 something different, but I think on an equal relative
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3 basis the high index can be traced very definitely
4 to the frequency of introduction of new products,
5 because in the early stage of development of the
6 products in this category especially there is a
7 very high share. This will influence -- since there
8 seems to be twice the new products coming out,
9 this will cause the imports index for this group
10 to be different as between automobiles and electrical
11 apparatus, which is largely explainable in these
12 terms.

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3 THE CHAIRMAN: To go back to your early
4 data, you think that 1953 was a period when Europe
5 had scarcely got back to the export markets and
6 therefore would really --

7 PROFESSOR ENGLISH: I agree that that is
8 very true.

9 THE CHAIRMAN: And not, therefore, a very
10 good thing to choose for this particular industry,
11 and I would have thought for a lot of others.

12 PROFESSOR ENGLISH: The position I feel
13 I should take there is that the important thing
14 for me was that the same conditions prevailed for
15 all industries, and with the coming of European and
16 Japanese and other competition we have much more,
17 as I believe I emphasized all the way through,
18 much more competition coming up and I believe that
19 affects the relative picture amongst those industries.

20 In fact, it just accentuates the point
21 that we must choose carefully to avoid carrying
22 on indefinitely those which have an extremely high
23 labour content, if we are going to specialize.

24 THE CHAIRMAN: You say it is no longer
25 valid, the size of the Canadian market as a
26 necessary limitation, and do you think the Canadian
27 market is not now big enough, say, in volume or
28 do you think it is a disadvantage to us to be
29 confined to the Canadian market now? On page 4 you
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3 refer to that.

4 PROFESSOR ENGLISH: No, I wouldn't go that
5 far, but I think the change that has occurred is
6 the tripling of the Canadian market between the late
7 1920's and the mid-1950's, that that is a significant
8 change, a very significant change and it enables
9 us now in the markets for many manufacturers to
10 have a sufficient basis here on which to build a
11 specialized manufacturing industry, which I hope
12 will also enjoy exports.

13 THE CHAIRMAN: When you are applying this
14 to the automobile industry you refer to the
15 economical size of operation of 100,000. This,
16 of course, is assembled?

17 PROFESSOR ENGLISH: Yes, but my feeling
18 would be that if your automobile is a homogeneous
19 enough product, more so than it is now, then the
20 parts manufacturer would be on a large basis.

21 THE CHAIRMAN: This would still give
22 many of the parts manufacturers low volume as
23 compared to what is possible in the other markets?

24 PROFESSOR ENGLISH: I am sure there
25 would be some more occasionally.

26 THE CHAIRMAN: But would it be enough?

27 PROFESSOR ENGLISH: Well, can I mention
28 a few specific facts which have come to my attention;
29 one from yesterday's discussion and one from some
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3 reading which I have been doing.

4 The first point is that I may have mis-
5 interpreted the representation of the parts manu-
6 facturer yesterday, but I understood him to say
7 that a relatively large market for parts would be
8 one in which 50,000 would be disposed of, that would
9 be produced. Now, it seems to me that the reason
10 why we cannot manage on 50,000 is not because our
11 Canadian market isn't big enough, it is because
12 of the variety of products we are trying to produce
13 in the automobile industry. 15,000 is not a large
14 figure.

15 THE CHAIRMAN: It is not nearly large
16 enough to get real economy.

17 PROFESSOR ENGLISH: His point was
18 that this was about as much -- if we had a
19 50,000 market --

20 THE CHAIRMAN: Things wouldn't be as
21 bad because he is still relying on his protection,
22 and you want him to have free trade?

23 PROFESSOR ENGLISH: Well, I am not quite
24 suggesting free trade; my policy proposal in
25 general is a 10 per cent tariff, vis a vis
26 American goods, and in return for the same con-
27 sideration on their part. I did not bring that
28 in here because it is not particularly applied
29 to the automobile industry, although it would
30 affect it.



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3 THE CHAIRMAN: Let us go on with this
4 business. As I say, I think you are under-rating
5 the disadvantage of the size of the market by the
6 way you are trying to avoid the disadvantage by
7 a much higher degree of standardization which you
8 refer to as rationalization. This is a renewal
9 of a word that used to be popular in the late
10 twenties, a clever word, when they said who could
11 be against such a rational thing as rationalization?
12 How do you rationalize? You say we must do it
13 and you haven't really told me how we can do it.

14 PROFESSOR ENGLISH: I should think
15 that the main process would be by a decision of
16 the automobile producers to produce some Canadian
17 cars. I don't mean necessarily something that is
18 very elementary and uninteresting; it could be a
19 fairly attractive car and one with, let us say,
20 a more attractive exterior.

21 THE CHAIRMAN: Why do you think they
22 haven't done it, because they are stupid and have
23 some sort of an anti-Canadian bias, that they
24 don't want to give us what Canadians want, so
25 if it is something they can do themselves and it
26 would be profitable to do, why haven't they done
27 it?

28 PROFESSOR ENGLISH: I tried to make a
29 statement which I think has a bearing on that in
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3 the submission, and at the risk of repeating myself
4 I will go into it again, and I admit it is stated
5 in rather brief form. However, my feeling is that
6 essentially the question of comparative advantages --
7 and not in the international trade sense -- could
8 have two alternatives; the alternative of breaking
9 with U.S. practice and setting up a distinctly
10 Canadian kind of industry, and the advantage in
11 profits efficiency which this would bring them,
12 and this is set against the danger that unless
13 all three agreed to do it -- if no one set out
14 to do it it would bring about a market war
15 between them, and this would have implications
16 not only for the Canadian operation but also
17 for the American.

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3 THE CHAIRMAN: You are appearing for
4 a committee in which you argue for stronger adminis-
5 tration of the combines, are you not, or was that
6 your colleague?

7 PROFESSOR ENGLISH: I argued against
8 the new legislation, if that is what you mean.

9 THE CHAIRMAN: But you would gladly
10 introduce some provision that would enable the
11 five companies to get together and agree on
12 rationalization of views?

13 PROFESSOR ENGLISH: I think that anyone
14 who is interested in competition would be happy to
15 see a reduction of tariffs as the principal tool
16 for achieving the kind of competition which we
17 want.

18 THE CHAIRMAN: But you are forcing them
19 to rationalize?

20 PROFESSOR ENGLISH: And I have been, I
21 think, told in almost so many words that at least
22 some of the people would be happy to see this sort
23 of thing come about.

24 THE CHAIRMAN: But you said, you see,
25 that you want these three or these five to agree to
26 reduce models, and that is why I mention it, but
27 they can't agree.

28 PROFESSOR ENGLISH: With apologies, I
29 don't really think I said it in so many words that
30 I wanted them to get together.



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3 THE CHAIRMAN: How do they come to do
4 it if they don't get together?

5 PROFESSOR ENGLISH: I think that each one
6 of them would be compelled to come to the same
7 decision having regard to the profitability and
8 efficiencies of their operations.

9 THE CHAIRMAN: They are already subjected
10 to competition and they have been subjected to this
11 competition. You speak about tariffs, but don't
12 forget the free entry of English cars under
13 conditions that would really almost subsidize
14 imports.

15 PROFESSOR ENGLISH: I am certainly very
16 happy, as I indicated, for the effect of European
17 competition on Canadian industry. However, I
18 suspect it is not going to be enough by itself.

19 THE CHAIRMAN: You said, suppose you were
20 introducing too many models and too many of this
21 and that, and so on, too many fins and model
22 changes, and then you introduced one other point
23 and I think this has a lot to do with what you are
24 presenting to me, and you begin with too many
25 firms. Is it really your view that to withdraw
26 production or reduce it would eliminate three of
27 the present five firms, and then the other two
28 could probably rationalize?

29 PROFESSOR ENGLISH: Well, that is a point
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3 which I think I should answer very carefully
4 because I don't want to give the wrong impression,
5 as it effects several of the points which I have
6 made.

7 I feel, first of all from a historical
8 perspective, that it would have been better if there
9 had not been so many firms. I feel the fact that
10 there are too many firms is, however, only one of the
11 factors which causes the existing structure and
12 behaviour of the automobile industry to be as it
13 is, and because of the increasing size of the
14 Canadian market I am not at all certain that it
15 would be necessary to reduce the number of firms
16 in order to achieve the kind of adjustment which
17 I am talking about. I think that that is one
18 possible result. If it should happen, it seems
19 to me that it would not certainly need to affect
20 the volume of employment in the industry, because
21 the firms who were surviving might well grow
22 with those who had to go out, so on those several
23 counts I don't feel that it is a key point.

24 THE CHAIRMAN: I had a feeling you
25 really hoped they would and that it might have
26 been better to reduce them to one and then you
27 would have a rationalized industry.

28 PROFESSOR ENGLISH: If it were necessary
29 to do it that way, I don't think we should hesitate
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3 for a period of time, but I don't think it is
4 necessary.

5 THE CHAIRMAN: Now, can we have a go at
6 the Volvo. As yet I have found out very little.
7 When did the Volvo develop?

8 PROFESSOR ENGLISH: In 1920.

9 THE CHAIRMAN: When did it begin to become
10 an important item on the market?

11 PROFESSOR ENGLISH: It only became
12 important in the post-war period.

13 THE CHAIRMAN: What tariff protection
14 did it have?

15 PROFESSOR ENGLISH: I am not sure what
16 it had at its founding, but it is now 15 per cent.

17 THE CHAIRMAN: I suppose one would not
18 only have to find out what tariff protection it
19 had, but what difficulties there were in supplying
20 from other countries, what embargoes, what currency
21 restrictions, and so on, and my guess is that we
22 would find that the Volvo -- which so many
23 Canadians feel is a great achievement -- was
24 achieved by rather high production and by the
25 avoidance of the competition from outside.

26 PROFESSOR ENGLISH: All I can say is that
27 now and for the last five years it has -- the
28 first point is even the more important one --
29 it seems to me that the vast majority of the
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2 Swedish market has been supplied by foreign
3 automobiles, and if there were restrictions on
4 the import of foreign automobiles they haven't
5 been very effective, at least for the last five or
6 six years. I have here the registrations in
7 Sweden, and I think that this may go back far enough
8 that we could detect whether it is recent or not,
9 but I would say, unless you are anxious to push it
10 further, that in the last five years Volvo's
11 market in Sweden has been increasing from less than
12 20 per cent to now about 23 or 24 per cent of the
13 whole Swedish market. This must mean that foreign
14 cars have been able to come in.

15 THE CHAIRMAN: At this early stage of
16 development, that is a difficult one. Could I ask
17 you another thing about the Volvo because I get
18 conflicting information; it has been suggested to
19 me that Volvo, with relatively small volume pro-
20 duction, is economical because it relies on largely
21 British components which are, of course, produced
22 in very large quantities and for a much bigger
23 automobile market. Is this true?

24 PROFESSOR ENGLISH: Well, I would think
25 that it is not a very important point, because
26 the Swedish content of the Volvo is 85 per cent
27 of the value of it. There is only 15 per cent --

28 THE CHAIRMAN: How long has that been true?
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PROFESSOR ENGLISH: I am not sure about
that; it was true in 1958, apparently, because that
is the source.

1 THE CHAIRMAN: That is one I will have
2 to follow up somehow, because I got completely
3 different information on that. May I draw your
4 attention to these final remarks of yours:

5 "If it is feared that under the rigours
6 of competition the American firms
7 would abandon their capital in Canada,
8 surely the Government of Canada can
9 make it clear that it will not stand
10 idly by while an industry which is
11 well founded on Canadian soil is
12 permitted to wither away. I have
13 little doubt that a statement of policy
14 along these lines is all that would
15 be necessary to assure appropriate
16 action by foreign-owned firms."

17 What statement of policy could there be
18 other than that we will raise the tariff? How
19 are you going to stop its withering away?

20 PROFESSOR ENGLISH: There are many ways
21 for a policy to serve this purpose. To mention
22 the most extreme, I would say that the Canadian
23 government -- if it were necessary to go this far,
24 and I do not think it really is -- should be
25 prepared to promise that it will operate the
26 automobile industry itself.

27 THE CHAIRMAN: Exactly. This is the point
28 I dealt with this morning with another man. I
29 find it incredibly hard to believe that the Canadian
30



1 government could operate these more profitably
2 than their present American owners, and I am not
3 sure that Mr. Fleming is prepared to meet the
4 deficits.

5 PROFESSOR ENGLISH: I would say this, that
6 I have, as a result of having studied both private
7 and public enterprises to some extent, although
8 I have a long way to go before I feel I have any
9 adequate appreciation of the difficulties involved
10 in this comparison, never been able to find any
11 necessary reason or any convincing evidence why one
12 enterprise should be less or more efficient than
13 the other. Therefore, if we are thinking of the
14 Canadian automobile industry as being potentially
15 operated by a private or a public concern, then I
16 think the only important reason why the Canadian
17 government can do better is because it is at least
18 thinking in terms of Canadian conditions and
19 Canadian opportunities, and this is the complaint
20 that I am compelled to voice because of the evidence
21 of what other people can do and what we have not
22 done when we could have been doing it.

23 I know, and you probably are aware, of
24 the fact that I have often spoken against the
25 position of anti-Americanism, and I hope what I
26 have to say has no element of that in it. In fact,
27 I strongly oppose most of the arguments that are
28 put forward by people like, I might say, Mr. Coyne
29 to the effect that we should be more Canadian and
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1 that we should somehow Canadianize our industry,
2 but when I find in specific instances -- and this
3 is the way I wish my position to be put -- that
4 what American owners have done is totally, or very
5 largely, unsuited to Canadian conditions and
6 Canadian opportunities then I think that should be
7 said, too, and I feel that we should use a policy
8 boldly, and not just talk, if we have to, to
9 achieve a more desirable end. I do not think it
10 would matter nearly so much if there were not
11 really considerable opportunities in our
12 manufacturing industries. If we had nowhere to
13 go it would not matter, but I think we do have
14 somewhere to go.

15 THE CHAIRMAN: What you have no doubt
16 noticed is that various proposals have been
17 made and discussed for some sort of common
18 market. Have you any views on either the
19 possibility or advisability of exploring and
20 developing some common market arrangements with
21 this industry?

22 PROFESSOR ENGLISH: For this industry
23 alone?

24 THE CHAIRMAN: Well, I happen to be
25 concerned with this industry, but as you said
26 earlier what is suggested for this and what is done
27 for this is likely to have repercussions on
28 other industries.

29 PROFESSOR ENGLISH: As I said at one point in
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1 my brief, we may soon have to make a decision
2 along these lines in order to keep up in the
3 competitive race internationally, and as I
4 indicated, I think, we are more and more coming
5 to the position where we can make such a choice
6 without seriously injuring our capacity to compete --
7 in fact, quite the opposite. Such a decision
8 might help our capacity to compete.

9 I think that this sort of decision is
10 very much shot through with political problems,
11 particularly a decision involving integration with
12 the United States either on a general basis or on
13 a specific industry basis, and perhaps an
14 economist ought not to say much about these.

15 I will say this much, however, that I think the
16 chances of getting into some kind of a scheme of
17 this sort with the United States seem very much
18 more politically plausible than any of the other
19 ones which have been proposed, including the
20 North Atlantic suggestion. That sounds excellent,
21 but I just do not see it as a politically
22 viable suggestion, to use a most popular current
23 word.

24 Of course, any economist should be
25 attracted by the opportunities for two-way trade
26 such as would emerge, we hope, from this kind of
27 arrangement. If you do it for one industry you
28 run the risk of being charged with causing allocation
29 effects of a particular kind, whereas it should be
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1 other industries that should get the principal
2 nod. There is this danger. However, if the
3 industry is, as I think this one is, one of the
4 better industries for Canada to develop then it is
5 not so serious to give it the special advantage
6 as it would be if you were going to give a
7 special advantage to an industry which was less
8 promising.

9 That is the background upon which I would
10 approach any proposal for specific integration.
11 I think, to examine such proposals such as
12 Mr. Keenleyside's, and the other version of it
13 which has been discussed this week, would take
14 a great deal more study on my part. I would be
15 interested in making that study, but I do not think
16 at this point I would be capable of giving a
17 discussion on it.

18 THE CHAIRMAN: I would like to say this to
19 you, Professor English; without asking you to
20 make a study, I would say I would be most grateful
21 if in the course of the next week or so you would
22 add to this presentation a short statement of the
23 kind of questions that have to be explored in order
24 to make a reasonable decision on this. I think
25 that would be a very valuable contribution to my
26 group before we go into further discussion,
27 particularly in the United States. If you could
28 do that I would be most grateful, and I think you
29 would be doing a public service.
30



1 PROFESSOR ENGLISH: Very well.

2 THE CHAIRMAN: I would like to thank you
3 very much indeed for, as I said earlier, devoting
4 your time and energy to this. It has been
5 stimulating for me, and for us. I think I am
6 inclined to say that I am rather glad that I was
7 the examiner rather than having to appear before
8 you.

9 PROFESSOR ENGLISH: Thank you very much.

10 THE CHAIRMAN: Before these hearings
11 close I would like to say just a word to the
12 gentlemen of the press. I would like to express
13 my thanks for the very effective coverage which
14 has shown, I think, a very high degree of under-
15 standing. I would like to say that I shall be
16 studying clippings from all over the country as
17 one of the ways of testing the views of the
18 country, or the reception of some of these ideas
19 in the country.

20 Then, I should add as a very personal note,
21 that it will be a great relief for me to withdraw
22 from this room and to be no longer operating
23 under the bright light of press publicity.

24 These hearings are now completed.
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